Calendar No. 851

99TH CONGRESS } SENATE { REPORT
2d Session } { 99-403

APPROVING THE COMPACT OF FREE ASSOCIATION

AUGUST 14 (legislative day, AUGUST 11), 1986.—Ordered to be printed

Mr. MCCLURE, from the Committee on Energy and Natural Resources, submitted the following

REPORT

[To accompany S.J. Res. 325]

The Committee on Energy and Natural Resources to which was referred the joint resolution (S.J. Res. 325) to approve the "Compact of Free Association" between the United States and the Government of Palau, and for other purposes, having considered the same, reports favorably thereon with an amendment to the text and recommends that the joint resolution, as amended, do pass.

The amendment is as follows:

Strike out all after the resolving clause and insert in lieu thereof the following:

TITLE I—APPROVAL OF COMPACT; INTERPRETATION OF, AND UNITED STATES POLICIES REGARDING, COMPACT; SUPPLEMENTAL PROVISIONS

APPROVAL OF COMPACT OF FREE ASSOCIATION

SEC. 101. (a) APPROVAL.—The Compact of Free Association set forth in title II of this joint resolution between the United States and the Government of Palau is hereby approved, and Congress hereby consents to the agreements as set forth on pages 154 through 405 of House Document 99-193 of April 9, 1986 (hereafter in this joint resolution referred to as subsidiary or related agreements), as they relate to such Government. Subject to the provisions of this joint resolution, the President is authorized to agree, in accordance with section 411 of the Compact, to an effective date for and thereafter to implement such Compact, having taken into account any procedures with respect to the United Nations for termination of the Trusteeship Agreement.

(b) REFERENCE TO THE COMPACT.—Any reference in this joint resolution to the "Compact" shall be treated as a reference to the Compact of Free Association set forth in title II of this joint resolution.

(c) AMENDMENT, CHANGE, OR TERMINATION OF THE COMPACT AND CERTAIN AGREEMENTS.—(1) Mutual agreement by the Government of the United States as provided in the Compact which results in amendment, change, or termination of all or any part thereof shall be affected only by Act of Congress and no unilateral action by

S313-32

the Government of the United States provided for in the Compact, and having such result, may be effected other than by Act of Congress.

(2) The provisions of paragraph (1) shall apply—

(A) to all actions of the Government of the United States under the Compact including, but not limited to, actions taken pursuant to sections 431, 432, 441, or 442;

(B) to any amendment, change, or termination in any agreement that may be concluded at any time between the Government of the United States and the Government of Palau regarding friendship, cooperation and mutual security concluded pursuant to sections 321 and 323 of the Compact referred to in section 462(h);

(C) to any amendment, change, or termination of the agreements concluded pursuant to Compact sections 175 and 221(a)(4), the terms of which are incorporated by reference into the Compact; and

(D) to the following subsidiary agreements, or portions thereof:

(i) Article II of the agreement referred to in section 462(a) of the Compact;

(ii) Article II of the agreement referred to in section 462(b) of the Compact;

(iii) Article II and Section 7 of Article X of the agreement referred to in section 462(f) of the Compact;

(iv) the agreement referred to in section 462(g) of the Compact;

(v) Articles II, III, IV, V, VI, and VII of the agreement referred to in section 462(h) of the Compact; and

(vi) Articles VI, XV, and XVII of the agreement referred to in section 462(i) of the Compact.

(d) Effective date.—(1) The President shall not agree to an effective date for the Compact, as authorized by this section, until after certifying to the Congress that—

(A) The Compact of Free Association between the United States and Palau has been approved in accordance with section 411 of the Compact as set forth in this Act, and that there exists no legal impediment to the ability of the United States to carry out fully its responsibilities and to exercise its rights under Title Three of the Compact, as set forth in this Act, and

(B) agreements have been concluded with Palau which satisfy the requirements of section 102 of Public Law 99-239. For the purpose of this subsection the word "Palau" shall be substituted for "Federated States of Micronesia" whenever it appears in section 102 of Public Law 99-239.

(2) Any agreement concluded with Palau pursuant to subparagraph 101(d)(1)(B) of this title and any agreement which would amend, change, or terminate any subsidiary agreement or related agreement, or portion thereof, as set forth in paragraph (4) of this subsection shall be submitted to the Congress. No such agreement shall take effect until after the expiration of 30 days after the date such agreement is so submitted (excluding days on which either House of Congress is not in session.)

(3) No agreement described in paragraph (2) shall take effect if a joint resolution of disapproval is enacted during the period specified in paragraph (2). For the purpose of expediting the consideration of such a joint resolution, a motion to proceed to the consideration of any such joint resolution after it has been reported by an appropriate committee shall be treated as highly privileged in the House of Representatives. Any such joint resolution shall be considered in the Senate in accordance with the provisions of section 601(b) of Public Law 94-329.

(4) The subsidiary agreement or portions thereof referred to in paragraph (2) are as follows:

(A) Articles III and IV of the agreement referred to in section 426(b) of the Compact.

(B) Articles III, IV, V, VI, VII, VIII, IX, and X (except for section 7 thereof) of the agreement referred to in section 426(f) of the Compact.

(C) Articles IV, V, X, XIV, XVI, and XVIII of the agreement referred to in section 426(i) of the Compact.

(D) Articles II, V, VI, VII, and VIII of the agreement referred to in section 426(h) of the Compact.

(E) The agreement referred to in section 426(j) of the Compact.

(5) No agreement between the United States and the Government of Palau which would amend, change, or terminate any subsidiary or related agreement, or portion thereof, other than those set forth in subsection (d) of this section or paragraph (4) of this subsection, shall take effect until the President has transmitted such an agreement to the President of the Senate and the Speaker of the House of Representatives, together with an explanation of the agreement and the reasons therefor.

EXTENSION OF COMPACT OF FREE ASSOCIATION TO PALAU

SEC. 102. (a) The interpretation of and United States Policy Regarding the Compact of Free Association set forth in section 104 of Public Law 99-239 shall apply to the Compact of Free Association with Palau.

(b) The provision of section 105, except for subsection (i), section 106, section 110, and section 111 (a) and (d) of Public Law 99-239, shall apply to Palau in the same manner and to the same extent as such sections apply to the Marshall Islands.

REPEAL OF TITLE V OF THE COMPACT OF FREE ASSOCIATION ACT (PUBLIC LAW 99-239)

SEC. 103. Title V of the Public Law 99-239 is repealed.

SUPPLEMENTAL PROVISIONS

SEC. 104. (a) CIVIC ACTION TEAMS.—In recognition of the special development needs of Palau, the United States shall make available United States military Civic Action Teams for use in Palau under terms and conditions mutually agreed upon by the Government of the United States and the Government of Palau. The Government of Palau may use the amount of $250,000 annually from current account funds provided pursuant to section 211 of the Compact to defray expenditures attendant to the operation of the Civic Action Teams made available pursuant to this subsection.

(b) INVENTORY AND STUDY OF MOST UNIQUE AND SIGNIFICANT NATURAL, HISTORICAL, ETC., RESOURCES OF MICRONESIA.—The Secretary of the Interior shall conduct, upon request of Palau, the Federated States of Micronesia or the Marshall Islands, and through the Director of the National Park Service, a comprehensive inventory and study of the most unique and significant natural, historical, cultural, and recreational resources of Palau, the Federated States of Micronesia or the Marshall Islands. Areas or sites exhibiting such qualities shall be described and evaluated with the objective of the preservation of their values and their careful use and appreciation by the public along with a determination of their potential for attracting tourism. Alternative methodologies for such preservation and use shall be developed for such areas or sites (including continued assistance from the National Park Service); current or impending damage or threats to the resources of such areas or sites shall be identified and evaluated; and authorities needed to properly protect and allow for public use and appreciation shall be identified and discussed. Such inventory and study shall be conducted in full cooperation and consultation with affected governmental officials and the interested public. The inventory and study shall also identify areas or sites which, if they were located in the United States, would qualify to be listed on the Registry of Natural Landmarks and the National Register of Historic Places. A full report on such inventory and study shall be transmitted to Palau, or the Federated States of Micronesia or the Marshall Islands, the Committee on Interior and Insular Affairs of the United States House of Representatives and the Committee on Energy and Natural Resources of the United States Senate no later than two complete calendar years after the date of enactment of this joint resolution.

(c) AUTHORIZATION FOR TRANSITION PURPOSES.—Section 105(c)(2) of Public Law 99-239 is amended by deleting "infrastructure." and inserting in lieu thereof "infrastructure, except that, for purposes of an orderly reduction of United States programs and services in the Federated States of Micronesia, the Marshall Islands, and Palau, United States programs or services not specifically authorized by the Compact of Free Association or by other provisions of law may continue but, unless reimbursed by the respective freely associated state, not in excess of the following amounts:

(1) For fiscal year 1987, an amount not to exceed 75 per centum of the total amount appropriated for such programs for fiscal year 1985;

(2) For fiscal year 1988, an amount not to exceed 50 per centum of the total amount appropriated for such programs for fiscal year 1985;

(3) For fiscal year 1989, an amount not to exceed 25 per centum of the total amount appropriated for such programs for fiscal year 1985.

TITLE II—COMPACT OF FREE ASSOCIATION

COMPACT OF FREE ASSOCIATION

SEC. 201. The Compact of Free Association is as follows:

COMPACT OF FREE ASSOCIATION

PREAMBLE

THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF PALAU

Affirming that their Governments and the relationship between their Governments are founded upon respect for human rights and fundamental freedoms for all, and

Affirming the common interests of the United States of America and the people of Palau in creating close and mutually beneficial relationships through a free and voluntary association of their Governments; and

Affirming the interest of the Government of the United States in promoting the economic advancement and self-sufficiency of the people of Palau; and

Recognizing that their previous relationship has been based upon the International Trusteeship System of the United Nations Charter; and that pursuant to Article 76 of the Charter, the peoples of the Trust Territory have progressively developed their institutions of self-government, and that in the exercise of their sovereign right to self-determination they have, through their freely-expressed wishes, adopted a Constitution appropriate to their particular circumstances; and

Recognizing their common desire to terminate the Trusteeship and establish a new government-to-government relationship in accordance with a new political status based on the freely-expressed wishes of the people of Palau and appropriate to their particular circumstances; and

Recognizing that the people of Palau have and retain their sovereignty and their sovereign right to self-determination and the inherent right to adopt and amend their own Constitution and form of government and that the approval of the entry of their Government into this Compact of Free Association by the people of Palau constitutes an exercise of their sovereign right to self-determination;

NOW, THEREFORE, AGREE to enter into relationship of free association which provides a full measure of self-government for the people of Palau; and

FURTHER AGREE that the relationships of free association derives from and is as set forth in this Compact; and that, during such relationships of free association, the respective rights and responsibilities of the Government of the United States and the Government of the freely associated state of Palau in regard to this relationship of free association derives from and is as set forth in this Compact.

TITLE ONE

GOVERNMENT RELATIONS

Article I

Self-government

Section 111

The people of Palau, acting through their duly elected government established under their constitution, are self- governing.

Article II

Foreign Affairs

Section 121

(a) The Republic of Palau has the capacity to conduct foreign affairs in its own name and right, except as otherwise provided in this Compact and the Government of the United States recognizes that the Government of Palau, in the exercise of this capacity, may enter into, in its own name and right, treaties and other international agreements with governments and regional and international organizations.

(b) In the conduct of its foreign affairs the Government of Palau confirms that it shall act in accordance with principles of international law and shall settle its international disputes by peaceful means.

Section 122

The Government of the United States shall support application by the Government of Palau for membership or other participation in regional or international organizations as may be mutually agreed. The Government of the United States agrees to accept citizens of Palau for training and instruction at the United States

Foreign Service Institute, established under 22 U.S.C. 4021, or similar training under terms and conditions to be mutually agreed.

Section 123

In recognition of the authority and responsibility of the Government of the United States under Title Three, the Government of Palau shall consult with the Government of the United States. The Government of the United States, in the conduct of its foreign affairs, shall consult with the Government of Palau on matters which the Government of the United States regards as relating to or affecting the Government of Palau, and shall provide, on a regular basis, information on regional foreign policy matters.

Section 124

(a) The Government of Palau has authority to conduct its foreign affairs relating to law of the sea and marine resources matters, including the harvesting, conservation, exploration or exploitation of living and nonliving resources from the sea, seabed or subsoil to the full extent recognized under international law.

(b) The Government of Palau has jurisdiction and sovereignty over its territory, including its land and internal waters, territorial seas, the airspace superjacent thereto only to the extent recognized under international law.

Section 125

Except as otherwise provided in this Compact or its related agreements, all obligations, responsibilities, rights and benefits of the Government of the United States as administering authority which have resulted from the application pursuant to the Trusteeship Agreement of any treaty or other international agreement to the Trust Territory of the Pacific Islands on the day preceding the effective date of this Compact are no longer assumed and enjoyed by the Government of the United States.

Section 126

The Government of the United States shall accept responsibility for those actions taken by the Government of Palau in the area of foreign affairs, only as may from time to time be expressly and mutually agreed.

Section 127

The Government of the United States may assist or act on behalf of the Government of Palau in the area of foreign affairs as may be requested and mutually agreed from time to time. The Government of the United States shall not be responsible to third parties for the actions of the Government of Palau undertaken with the assistance or through the agency of the Government of the United States pursuant to this Section unless expressly agreed.

Section 128

At the request of the Government of Palau and subject to the consent of the receiving state, the Government of the United States shall extend consular assistance on the same basis as for citizens of the United States to citizens of Palau for travel outside of Palau the Marshall Islands, the Federated States of Micronesia, the United States and its territories and possessions.

Article III

Communications

Section 131

(a) The Government of Palau has full authority and responsibility to regulate its domestic and foreign communications, and the Government of the United States shall provide communication assistance in accordance with the terms of a related agreement which shall come into effect simultaneously with this Compact, and such agreement shall remain in effect until such time as any election is made pursuant to Section 131(b) and which shall provide for the following:

(1) the Government of the United States remains the sole administration entitled to make notification to the International Frequency Registration Board of the International Telecommunications Union of frequency assignments to radio communications stations in Palau; and to submit to the International Frequency Registration Board seasonal schedules for the broadcasting stations in Palau in the bands allocated exclusively to the broadcasting service between 5,950 and 26,100 kHz and in any other additional frequency bands that may be allocated to use by high frequency broadcasting stations; and

(2) the United States Federal Communications Commission has jurisdiction, pursuant to the Communications Act of 1934, 47 U.S.C. 151 *et seq.*, and the Communications Satellite Act of 1962, 47 U.S.C. 721 *ei seq.*, over all domestic and foreign communications services furnished by means of satellite earth terminal stations where such stations are owned or operated by United States common carriers and are located in Palau.

(b) The Government of Palau may elect at any time to undertake the functions enumerated in Section 131(a) and previously performed by the Government of the United States. Upon such election, the Government of the United States shall so notify the International Frequency Registration Board and shall take such other actions as may be necessary to transfer to the Government of Palau the notification authority referred to in Section 131(a) and all rights deriving from the previous exercise of any such notification authority by the Government of the United States.

Section 132

The Government Palau shall permit the Government of the United States to operate telecommunications services in Palau to the extent necessary to fulfill the obligations of the Government of the United States under this Compact in accordance with the terms of related agreements which shall come into effect simultaneously with this Compact.

Article IV

Immigration

Section 141

(a) Any person in the following categories may enter into, lawfully engage in occupations, and establish residence as a nonimmigrant in the United States and its territories and possessions without regard to paragraphs (14), (20), and (26) of section 212(a) of the Immigration and Nationality Act, 8 U.S.C. 1182(a) (14), (20), and (26):

(1) a person who, on the day preceding the effective date of this Compact, is a citizen of Trust Territory of the Pacific Islands, as defined in Title 53 of the Trust Territory Code in force on January 1, 1979, and has become a citizen of Palau;

(2) a person who acquires the citizenship of Palau, at birth, on or after the effective date of the Constitution of Palau; or

(3) a naturalized citizen of Palau, who has been an actual resident there for not less than five years after attaining such naturalization and who holds a certificate of actual residence.

Such persons shall be considered to have the permission of the Attorney General of the United States to accept employment in the United States.

(b) The right of such persons to establish habitual residence in a territory or possession of the United States may, however, be subjected to nondiscriminatory limitations provided for:

(1) in statutes or regulations of the United States; or

(2) in those statutes or regulations of the territory or possession concerned which are authorized by the laws of the United States.

(c) Section 141(a) does not confer on a citizen of Palau, the right to establish the residence necessary for naturalization under the Immigration and Nationality Act, or to petition for benefits for alien relatives under that Act. Section 141(a), however, shall not prevent a citizen of Palau from otherwise acquiring such rights or lawful permanent resident alien status in the United States.

Section 142

(a) Any citizen or national of the United States may enter into, lawfully engage in occupations, and reside in Palau, subject to the right of that Government to deny entry to or deport any such citizen or national as an undesirable alien. A citizen or national of the United States may establish habitual residence or domicile in Palau only in accordance with the laws of Palau. This subsection is without prejudice to the right of the Government of Palau to regulate occupations in Palau in a nondiscriminatory manner.

(b) With respect to the subject matter of this Section, the Government of Palau shall accord to citizens and nationals of the United States treatment no less favorable than that accorded to citizens of other countries; any denial of entry to or deportation of a citizen or national of the United States as an undesirable alien must be pursuant to reasonable statutory grounds.

Section 143

(a) The privileges set forth in Section 141 shall not apply to any person who takes an affirmative step to preserve or acquire a citizenship or nationality other than that of Palau.

(b) Every person having the privileges set forth in Sections 141 and 142 who possesses a citizenship or nationality other than that of Palau or the United States ceases to have these privileges two years after the effective date of this Compact, or within six months after becoming 21 years of age, whichever comes later, unless such person executes an oath of renunciation of that other citizenship or nationality.

Section 144

(a) A citizen or national of the United States who, after notification to the Government of the United States of an intention to employ such person by the Government of Palau, commences employment with that Government shall not be deprived of his United States nationality pursuant to Section 349(a)(2) and (a)(4) of the Immigration and Nationality Act, 8 U.S.C. 1481 (a)(2) and (a)(4).

(b) Upon such notification by the Government of Palau, the Government of the United States may consult with or provide information to the notifying Government concerning the prospective employee, subject to the provisions of the Privacy Act, 5 U.S.C. 552a.

(c) The requirement of prior notification shall not apply to those citizens or nationals of the United States who are employed by the Government of Palau on the effective date of this Compact with respect to the positions held by them at that time.

Article V

Representation

Section 151

The Government of the United States and the Government of Palau may establish and maintain representative offices in the capitals of the other.

Section 152

(a) The premises of such representative offices, and their archives wherever located, shall be inviolable. The property and assets of such representative offices shall be immune from search, requisition, attachment and any form of seizure unless such immunity is expressly waived. Official communications in transit shall be inviolable and accorded the freedom and protections accorded by recognized principles of international law to official communications of a diplomatic mission.

(b) Persons designated by the sending Government may serve in the capacity of its resident representatives with the consent of the receiving Government. Such designated persons shall be immune from civil and criminal process relating to words spoken or written and all acts performed by them in their official capacity and falling within their functions as such representatives, except insofar as such immunity may be expressly waived by the sending Government. While serving in a resident representative capacity, such designated persons shall not be liable to arrest or detention pending trial, except in the case of a grave crime and pursuant to a decision by a competent judicial authority, and such persons shall enjoy immunity from seizure of personal property, immigration restrictions, and laws relating to alien registration, fingerprinting, and the registration of foreign agents.

(c) The sending Governments and their respective assets, income and other property shall be exempt from all direct taxes, except those direct taxes representing payment for specific goods and services, and shall be exempt from all customs duties and restrictions on the import or export of articles required for the official functions and personal use of their representatives and representative offices.

(d) Persons designated by the sending Government to serve in the capacity of its resident representatives shall enjoy the same taxation exemptions as are set forth in Article 34 of the Vienna Convention on Diplomatic Relations.

(e) The privileges, exemptions and immunities accorded under this Section are not for the personal benefit of the individuals concerned but are to safeguard the independent exercise of their official functions. Without prejudice to those privileges, exemptions and immunities, it is the duty of all such persons to respect the laws and regulations of the Government to which they are assigned.

Article VI

Environmental Protection

Section 161

The Government of the United States and the Government of Palau declare that it is their policy to promote efforts to prevent or eliminate damage to the environment and biosphere and to enrich understanding of the natural resources of the Palau.

Section 162

(a) The Government of the United States and the Government of Palau agree that with respect to the activities of the Government of the United States in Palau, and with respect to substantively equivalent activities of the Government of Palau, each of the Governments shall be bound by such environmental protection standards as may be mutually agreed for the purpose of carrying out the policy set forth in this Compact.

Section 163

In order to carry out the policy set forth in this Article, the Government of the United States and the Government of Palau agree to the following undertakings.

(a) The Government of the United States:

(1) shall apply environmental standards substantively similar to those in effect on the day preceding the effective date of this Compact to any activity requiring the preparation of an Environmental Impact Statement under the provisions of the National Environmental Policy Act of 1969, 83 Stat. 852, 42 U.S.C. 4321 *et seq.*

(2) shall develop, prior to conducting any activity included within the category described in this Section, appropriate mechanisms, including regulations or other standards and procedures, to regulate such activity in Palau in a manner appropriate to the special governmental relationship set forth in this Compact. The Government of the United States shall provide the Government of Palau with the opportunity to comment formally during the development of such mechanisms.

(b) The Government of Palau shall develop standards and procedures to protect the environment of Palau. As a reciprocal obligation to the undertakings of the Government of the United States under this Article, the Government of Palau, taking into account the particular environment of Palau, shall develop standards for environmental protection substantively similar to those required of the Government of the United States by Section 163(a)(1) prior to conducting activities in Palau substantively equivalent to activities conducted there by the Government of the United States and, as a further reciprocal obligation, shall enforce those standards.

(c) Section 163(a), including any standard or procedure applicable thereunder, and Section 163(b) may be modified or superseded in whole or in part by agreement of the Government of the United States and the Government of Palau.

(d) Disputes arising under this Article, except for Section 163(e), shall be resolved exclusively in accordance with Article II of Title Four.

(e) The President of the United States may exempt any of the activities of the Government of the United States under this Compact and its related agreements from any environmental standard or procedure which may be applicable under this Article if the President determines it to be in the paramount interest of the Government of the United States to do so, consistent with Title Three of this Compact and the obligations of the Government of the United States under international law. Prior to any decision pursuant to this subsection, the views of the Government of Palau shall be sought and considered to the extent practicable. If the President grants such an exemption, to the extent practicable, a report with his reasons for granting such exemption shall be given promptly to the Government of Palau.

Article VII

General Legal Provisions

Section 171

Except as provided in this Compact or its related agreements, the application of the laws of the United States to the Trust Territory of the Pacific Islands by virtue of the Trusteeship Agreement ceases with respect to Palau as of the effective date of this Compact.

Section 172

(a) Every citizen of Palau who is not a resident of the United States shall enjoy the rights and remedies under the laws of the United States enjoyed by any nonresident alien.

(b) The Government and every citizen of Palau shall be considered a "person" within the meaning of the Freedom of Information Act, 5 U.S.C. 552, and of the judicial review provisions of the Administrative Procedure Act, 5 U.S.C. 701-706.

Section 173

The Government of the United States and the Government of Palau, agree to adopt and enforce such measures, consistent with this Compact and its related agreements, as may be necessary to protect the personnel, property, installations, services, programs and official archives and documents maintained by the Government of the United States in Palau pursuant to this Compact and its related agreements and by that Government in the United States pursuant to this Compact and its related agreements.

Section 174

Except as otherwise provided in this Compact and its related agreements:

(a) The Government of Palau shall be immune from the jurisdiction of the courts of the United States, and the Government of the United States shall be immune from the jurisdiction of the courts of Palau.

(b) The Government of the United States accepts responsibility for and shall pay:

(1) any unpaid money judgment rendered by the High Court of the Trust Territory of the Pacific Islands against the Government of the Trust Territory of the Pacific Islands or the Government of the United States with regard to any cause of action arising as a result of acts or omissions of the Government of the Trust Territory of the Pacific Islands or the Government of the United States prior to the effective date of this Compact;

(2) any claim settled by the claimant and the Government of the Trust Territory of the Pacific Islands but not paid as of the effective date of this Compact; and

(3) settlement of any administrative claim or of any action before a court of the Trust Territory of the Pacific Islands, pending as of the effective date of this Compact, against the Government of the Trust Territory of the Pacific Islands or the Government of the United States, arising as a result of acts or omissions of the Government of the Trust Territory of the Pacific Islands or the Government of the United States.

(c) Any claim not referred to in Section 174(b) and arising from an act or omission of the Government of the Trust Territory of the Pacific Islands or the Government of the United States prior to the effective date of this Compact shall be adjudicated in the same manner as a claim adjudicated according to Section 174(d). In any claim against the Government of the Trust Territory of the Pacific Islands, the Government of the United States shall stand in the place of the Government of the Trust Territory of the Pacific Islands. A judgment on any claim referred to in Section 174(b) or this subsection, not otherwise satisfied by the Government of the United States, may be presented for certification to the United States Court of Appeals for the Federal Circuit, or its successor court, which shall have jurisdiction therefor, notwithstanding the provisions of 28 U.S.C. 1502, and which court's decisions shall be reviewable as provided by the laws of the United States. The United States Court of Appeals for the Federal Circuit shall certify such judgment, and order payment thereof, unless it finds, after a hearing, that such judgment is manifestly erroneous as to law or fact, or manifestly excessive. In either of such cases the United States Court of Appeals for the Federal Circuit shall have jurisdiction to modify such judgment.

(d) The Government of Palau, shall not be immune from the jurisdiction of the courts of United States, and the Government of the United States shall not be immune from the jurisdiction of the courts of Palau in any case in which the action is based on a commercial activity of the defendant Government carried out where the action is brought, or in a case in which damages are sought for personal injury or death or damage to or loss of property occurring where the action is brought. This subsection shall apply only to actions based on commercial activities entered into or injuries or losses suffered on or after the effective date of this Compact.

Section 175

A separate agreement, which shall come into effect simultaneously with this Compact, shall be concluded between the Government of the United States and the Government of Palau regarding mutual assistance and cooperation in law enforcement matters including the pursuit, capture, imprisonment and extradition of fugitives from justice and the transfer of prisoners. The separate agreement shall have the force of law. In the United States, the laws of the United States governing international extradition, including 18 U.S.C. 3184, 3186 and 3188–3195, shall be applicable to the extradition of fugitives under the separate agreement, and the laws of the United States governing the transfer of prisoners, including 18 U.S.C. 4100–4115, shall be applicable to the transfer of prisoners under the separate agreement.

Section 176

The Government of Palau confirms that final judgments in civil cases rendered by any court of the Trust Territory of the Pacific Islands shall continue in full force and effect, subject to the constitutional power of the courts of Palau to grant relief from judgments in appropriate cases.

Section 177

(a) Federal agencies of the Government of the United States which provide services and related programs in Palau are authorized to settle and pay tort claims arising in Palau from the activities of such agencies or from the acts or omissions of the employees of such agencies. Except as provided in Section 177(b), the provisions of 28 U.S.C. 2672 and 31 U.S.C. 1304 shall apply exclusively to such administrative settlements and payments.

(b) Claims under Section 177(a) which cannot be settled under Section 177(a) shall be disposed of exclusively in accordance with Article II of Title Four. Arbitration awards rendered pursuant to this subsection shall be paid out of funds under 31 U.S.C. 1304.

(c) The Government of the United States and the Government of Palau shall provide for:

(1) the administrative settlement of claims referred to in Section 177(a), including designation of local agents in Palau, such agents to be empowered to accept, investigate and settle such claims, in a timely manner, as provided in such related agreements; and

(2) arbitration, referred to in Section 177(b), in a timely manner, at a site convenient to the claimant, in the event a claim is not otherwise settled pursuant to Section 177(a).

(d) The provisions of Section 174(d) shall not apply to claims covered by this Section.

TITLE TWO

ECONOMIC RELATIONS

Article I

Grant Assistance

Section 211

In order to assist the Government of Palau in its efforts to advance the well-being of the people of Palau and in recognition of the special relationship that exists between the United States and Palau, the Government of the United States shall provide to the Government of Palau on a grant basis the following amounts:

(a) $12 million annually for ten years commencing on the effective date of this Compact, and $11 million annually for five years commencing on the tenth anniversary of the effective date of this Compact, for current account operations and maintenance purposes, which amounts commencing on the fourth anniversary of the effective date of this Compact shall include a minimum annual distribution of $5 million from the fund specified in Section 211(f).

(b) $2 million annually for fourteen years commencing on the first anniversary of the effective date of this Compact as a contribution to efforts aimed at achieving increased self-sufficiency in energy production, of which annual amounts not less than $500,000 shall be devoted to the energy needs of those parts of Palau not served by its central power-generating facility.

(c) $150,000 annually for fifteen years commencing on the effective date of this Compact as a contribution to current account operations and maintenance of communications systems, and the sum of $1.5 million, to be made available concurrently with the grant assistance provided during the first year after the effective date of this Compact, for the purpose of acquiring such communications hardware as may be located within Palau or for such other current or capital account activity as the Government of Palau may select.

(d) $631,000 annually on a current account basis for fifteen years commencing on the effective date of this Compact for the purposes set forth below:

(1) for the surveillance and enforcement by Government of Palau of its maritime zone;

(2) for health and medical programs, including referrals to hospital and treatment centers; and

(3) for a scholarship fund to support the post-secondary education of citizens of Palau attending United States accredited, post-secondary institutions in Palau, the United States, its territories and possessions, and states in free association with the United States. The curricular criteria for the award of scholarships shall be designed to advance the purposes of the plan referred to in Section 231.

(e) The sum of $666,800 as a contribution to the commencement of activities pursuant to Section 211(d)(1).

(f) The sum of $66 million on the effective date of this Compact, and the sum of $4 million concurrently with the grant assistance to be made available during the third year after the effective date of this Compact, to create a fund to be invested by the Government of Palau in issues of bonds, notes or other redeemable instruments of the Government of the United States or other qualified instruments which may be identified by mutual agreement of the Government of the United States and the Government of Palau. Investment of the fund in qualified instruments of United States nationality, and the distribution of sums derived from such investment to the Government of Palau, shall not be subject to any form of taxation by the United States or its political subdivisions. The Government of the United States and the Government of Palau shall set forth in a separate agreement, which shall come into effect simultaneously with this Compact, provisions for the investment, management and review of the fund so as to allow for an agreed minimum annual distribution from its accrued principal and interest commencing upon the effective date of this Compact for fifty years. The objective of this sum is to produce an average annual distribution of $15 million commencing on the fifteenth anniversary of this Compact for thirty-five years. Any excess or variance from the agreed minimum annual distributions which may be produced from these sums shall accrue to or be absorbed by the Government of Palau unless otherwise mutually agreed in accordance with the provisions of the separate agreement referred to in this paragraph. The annual distributions produced from these sums are not subject to Sections 215 and 236.

Section 212

In order to assist the Government of Palau in its efforts to advance the economic development and self-sufficiency of the people of Palau and in recognition of the special relationship that exists between the United States and Palau, the Government of the United States shall provide:

(a) To the people of Palau, a road system in accordance with mutually agreed specifications, the construction of which shall be completed prior to the sixth anniversary of the effective date of this Compact; and

(b) To the Government of Palau, the sum of $36 million, during the first year after the effective date of this Compact, for capital account purposes.

Section 213

The Government of the United States shall provide on a grant basis to the Government of Palau the sum of $5.5 million in conjunction with Article II of Title Three. This sum shall be made available concurrently with the grant assistance provided pursuant to this Article during the first year after the effective date of this Compact. The Government of Palau, in its use of such funds, shall take into account the impact of the activities of the Government of the United States in Palau.

Section 214

All funds previously appropriated to the Trust Territory of the Pacific Islands for the Government of Palau which are unobligated by the Government of the Trust Territory as of the effective date of this Compact shall accrue to the Government of Palau for the purposes for which such funds were originally appropriated as determined by the Government of the United States.

Section 215

Except as otherwise provided, the amounts stated in Sections 211(a), 211(b), 211(c) and 212(b) shall be adjusted for each fiscal year by the percent which equals two-thirds of the percentage change in the United States Gross National Product Implicit Price Deflator, or seven percent, whichever is less in any one year, using the beginning of Fiscal Year 1981 as the base.

Article II

Program Assistance

Section 221

(a) The Government of the United States shall make available to Palau, in accordance with and to the extent provided in the separate agreement referred to in Section 232, without compensation and at the levels equivalent to those available to the Trust Territory of the Pacific Islands during the year prior to the effective date of this Compact, the services and related programs:

(1) of the United States Weather Service;

(2) provided pursuant to the Postal Reorganization Act, 39 U.S.C. 101 *et seq.*;

(3) of the United States Federal Aviation Administration; and

(4) of the United States Civil Aeronautics Board or its successor agencies which has the authority to implement the provisions of paragraph 5 of Article IX of such separate agreements, the language of which is incorporated into this Compact.

(b) The Government of the United States, recognizing the special needs of the Palau particularly in the fields of education and health care, shall make available, as provided by the laws of the United States,

(1) the annual amount of $2 million which shall be allocated in accordance with the provisions of the separate agreement referred to in Section 232; and

(2) the sums of $4.3 million, $2.9 million and $1.5 million, respectively, during the first, second and third years after the effective date of this Compact, which sums shall be used by the Government of Palau as current account funds to finance programs similar to those programs of the United States that applied to Palau prior to the effective date of this Compact and that provided financial assistance for education to any institution, agency, organization or permanent resident of Palau or to the College of Micronesia.

(c) The Government of the United States shall make available to Palau such alternate energy development projects, studies and conservation measures as are applicable to the Trust Territory of the Pacific Islands on the day preceding the effective date of this Compact, for the purposes and duration provided in the laws of the United States.

(d) The Government of the United States shall have and exercise such authority as is necessary for the purposes of this Article and as is set forth in the related agreements referred to in Section 232, which shall also set forth the extent to which services and programs shall be provided to Palau.

Section 222

The Government of Palau may request, from time to time, technical assistance from the Federal agencies and institutions of the Government of the United States, which are authorized to grant such technical assistance in accordance with its law and which shall grant such technical assistance in a manner which gives priority consideration to Palau over other recipients not a part of the United States, its territories or possessions and equivalent consideration to Palau with respect to other states in Free Association with the United States.

Section 223

The citizens of Palau who are receiving post-secondary education assistance from the Government of the United States on the day preceding the effective date of this Compact shall continue to be eligible, if otherwise qualified, to receive such assistance to complete their academic programs for a maximum of four years after the effective date of this Compact.

Section 224

The Government of the United States and the Government of Palau may agree from time to time to the extension to Palau of additional United States grant assistance and of United States services and programs as provided by the laws of the United States.

Article III

Administrative Provisions

Section 231

(a) The annual expenditure by the Government of Palau of the grant amounts specified in Article I of this Title shall be in accordance with an official national development plan promulgated by the Government of Palau and concurred in by the Government of the United States prior to the effective date of this Compact. This plan may be amended from time to time by the Government of Palau.

(b) The Government of the United States and the Government of Palau recognize that the achievement of the goals of the plan referred to in this Section depends upon the availability of adequate internal revenue as well as economic assistance from sources outside of Palau, including the Government of the United States, and may, in addition, be affected by the impact of exceptional, economically adverse circumstances. The Government of Palau shall therefore report annually to the President of the United States and to the Congress of the United States on the implementation of this plan and on its use of the funds specified in this Article. This report shall outline the achievements of the plan to date and the need, if any, for an additional authorization and appropriation of economic assistance for that year to account for any exceptional, economically adverse circumstances. The availability of such additional economic assistance from the Government of the United States shall be subject to the authorization and appropriation of funds by the Government of the United States.

Section 232

The specific nature, extent and contractual arrangements of the services and programs provided for in Section 221 as well as the legal status of agencies of the Government of the United States, their civilian employees and contractors, and the dependents of such personnel while present in Palau, and other arrangements in connection with a service or program furnished by the Government of the United States, are set forth in related agreements which shall come into effect simultaneously with this Compact.

Section 233

The Government of the United States, in consultation with the Government of Palau, shall determine and implement procedures for the periodic audit of all grants and other assistance made under this Title. Such audits shall be conducted at no cost to the Government of Palau.

Section 234

Title to the property of the Government of the United States situated in the Trust Territory of the Pacific Islands and in Palau or acquired for or used by the Government of the Trust Territory of the Pacific Islands on or before the day preceding the effective date of this Compact shall, without reimbursement or transfer of funds, vest in the Government of Palau as set forth in a separate agreement which shall come into effect simultaneously with this Compact. The provisions of this Section shall not apply to the personal property of the Government of the United States for which the Government of the United States determines a continuing requirement.

Section 235

(a) Funds held in trust by the High Commissioner of the Trust Territory of the Pacific Islands, in his official capacity, as of the effective date of this Compact shall remain available as trust funds to their designated beneficiaries. The Government of the United States, in consultation with the Government of Palau, shall appoint a new trustee who shall exercise the functions formerly exercised by the High Commissioner of the Trust Territory of the Pacific Islands.

(b) To provide for the continuity of administration, and to assure the Governments of Palau that the purposes of the laws of the United States are carried out and that the funds of any other trust fund in which the High Commissioner of the Trust Territory of the Pacific Islands has authority of a statutory or customary nature shall remain available as trust funds to their designated beneficiaries, the Government of the United States agrees to assume the authority formerly vested in the High Commissioner of the Trust Territory of the Pacific Islands.

Section 236

Except as otherwise provided, approval of this Compact by the Government of the United States shall constitute a pledge of the full faith and credit of the United

States for the full payment of the sums and amounts specified in Article I of this Title. The obligation of the Government of the United States under Article I of this Title shall be enforceable in the United States Claims Court, or its successor court, which shall have jurisdiction in cases arising under this Section, notwithstanding the provisions of 28 U.S.C. 1502, and which court's decisions shall be reviewable as provided by the laws of the United States.

Article IV

Trade

Section 241

Palau is not included in the customs territory of the United States.

Section 242

The President of the United States shall proclaim the following tariff treatment for articles imported from Palau which shall apply during the period of effectiveness of this Title:

(a) Unless otherwise excluded, articles imported from Palau, subject to the limitations imposed under sections 503(b) and 504(c) of title 5 of the Trade Act of 1974 (19 USC 2463(b): 2464(c)), shall be exempt from duty.

(b) Only canned tuna provided for in item 112.30 of the Tariff Schedules of the United States that is imported from the Federated States of Micronesia, the Marshall Islands and Palau during any calendar year not to exceed 10 percent of the United States consumption of canned tuna during the immediately preceding calendar year, as reported by the National Marine Fisheries Service, shall be exempt from duty; but the quantity of tuna given duty free treatment under this paragraph for any calendar year shall be counted against the aggregate quantity of canned tuna that is dutiable under rate column numbered 1 of such item 112.30 for that calendar year.

(c) The duty-free treatment provided under paragraph (1) shall not apply to:

(1) watches, clocks and timing apparatus provided for in sub-part E of part 2 of schedule 7 of the Tariff Schedules of the United States;

(2) buttons (whether finished or not finished) provided for in item 745.32 of such Schedules;

(3) textile and apparel articles which are subject to textile agreements; and

(4) footwear, handbags, luggage, flat goods, work gloves, and leather wearing apparel which were not eligible articles for purposes of chapter V of the Trade Act of 1974 (19 USC 2461 et seq.) on April 1, 1984.

(d) If the cost or value of materials produced in the customs territory of the United States is included with respect to an eligible article which is a product of Palau, an amount not to exceed 15 percent of the appraised value of the article at the time it is entered that is attributable to such United States cost or value may be applied for duty assessment purposes toward determining the percentage referred to in section 503(b)(2) of title V of the Trade Act of 1974.

Section 243

Articles imported from Palau which are not exempt from any duty under paragraphs (a), (b), (c) and (d) of Section 242 shall be subject to the rates of duty set forth in column numbered 1 of the Tariff Schedules of the United States and all products of the United States imported into Palau shall receive treatment no less favorable than that accorded like products of any foreign country with respect to customs duties or charges of a similar nature and with respect to laws and regulations relating to importation, exportation, taxation, sale, distribution, storage, or use.

Article V

Finance and Taxation

Section 251

The currency of the United States is the official circulating legal tender of Palau. Should the Government of Palau act to institute another currency, the terms of an appropriate currency transitional period shall be as agreed with the Government of the United States.

Section 252

The Government of Palau may, with respect to United States persons, tax income derived from sources within its respective jurisdiction, property situated therein, including transfers of such property by gift or at death, and products consumed therein, in such manner as such Government deems appropriate. The determination of the source of any income, or the situs of any property, shall, for purposes of this Compact, be made according to the United States Internal Revenue Code.

Section 253

A citizen of Palau, domiciled therein and who is a nonresident and not a citizen of the United States, shall be exempt from estate, gift, and generation-skipping transfer taxes imposed by the Government of the United States.

Section 254

(a) In determining any income tax imposed by the Government of Palau, the Government of Palau shall have authority to impose tax upon income derived by a resident of Palau from sources without Palau in the same manner and to the same extent as the Government of Palau imposes tax upon income derived from within its jurisdiction. If the Government of Palau exercises such authority as provided in this subsection, any individual resident of Palau who is subject to tax by the Government of the United States on income which is also taxed by the Government of Palau shall be relieved of liability to the Government of the United States for the tax which, but for this subsection, would otherwise be imposed by the Government of the United States on such income. For purposes of this Section, the term "resident of Palau" shall be deemed to include any person who was physically present in Palau for a period of 183 or more days during any taxable year. The relief from liability referred to in this subsection means only:

(1) relief in the form of the foreign tax credit (or deduction in lieu thereof) available with respect to the income taxes of a possession of the United States, and

(2) relief in the form of the exclusion under section 911 of the United States Internal Revenue Code of 1954.

(b) If the Government of Palau subjects income to taxation substantially similar to that imposed by the Trust Territory Code in effect on January 1, 1980, such Government shall be deemed to have exercised the authority described in Section 254(a).

Section 255

(a) For purposes of section 936 of the Internal Revenue Code of 1954 Palau shall be treated as if it was a possession of the United States.

(b) Subsection (a) of this Section shall not apply to Palau for any period after December 31, 1986, during which there is not in effect between Palau and the United States an exchange of information agreement of the kind described in section 274(h)(6)(C) (other than clause (ii) thereof) of the Internal Revenue Code of 1954.

(c) If the tax incentives extended to Palau under subsection (a) of this Section are, at any time during which the Compact is in effect, reduced, the United States Secretary of the Treasury shall negotiate an agreement with the Government of Palau under which, when such agreement is approved by law, Palau will be provided with benefits substantially equivalent to such reduction in benefits. If within the 1-year period after the date of the enactment of the Act making the reduction in benefits, an agreement negotiated under the preceding sentence is not approved by law, the matter shall be submitted to the Arbitration Board established pursuant to Section 424. For purposes of Article V of this Title, the Secretary of the Treasury or his delegate shall be the member of such Board representing the Government of the United States. Any decision of such Board in the matter when approved by law shall be binding on the United States, except that such decision rendered is binding only as to whether the United States has provided the substantially equivalent benefits referred to in this subsection.

(d) For purposes of section 274(h)(3)(A) of the Internal Revenue Code of 1954, the term "North American area" shall include Palau.

Section 256

This Article shall apply to income earned, and transactions occurring, after September 30, 1985, in taxable years ending after such date.

TITLE THREE

SECURITY AND DEFENSE RELATIONS

Article I

Authority and Responsibility

Section 311

The territorial jurisdiction of the Republic of Palau shall be completely foreclosed to the military forces and personnel or for the military purposes of any nation except the United States of America, and as provided for in Section 312.

Section 312

The Government of the United States has full authority and responsibility for security and defense matters in or relating to Palau. Subject to the terms of any agreements negotiated pursuant to Article II of this Title, the Government of the United States may conduct within the lands, water and airspace of Palau the activities and operations necessary for the exercise of its authority and responsibility under this Title. The Government of the United States may invite the armed forces of other nations to use military areas and facilities in Palau in conjunction with and under the control of United States Armed Forces.

Section 313

The Government of Palau shall refrain from actions which the Government of the United States determines, after consultation with that Government, to be incompatible with its authority and responsibility for security and defense matters in or relating to Palau.

Article II

Defense Sites and Operating Rights

Section 321

The Government of the United States may establish and use defense sites in Palau, and may designate for this purpose land and water areas and improvements in accordance with the provisions of a separate agreement which shall come into force simultaneously with this Compact.

Section 322

(a) When the Government of the United States desires to establish or use such a defense site specifically identified in the separate agreement referred to in Section 321, it shall so inform the Government of Palau which shall make the designated site available to the Government of the United States for the duration and level of use specified.

(b) With respect to any site not specifically identified in the separate agreement referred to in Section 321, the Government of the United States shall inform the Government of Palau, which shall make the designated site available to the Government of the United States for the duration and level of use specified, or shall make available one alternative site acceptable to the Government of the United States. If such alternative site is unacceptable to the Government of the United States, the site first designated shall be made available after such determination.

(c) Compensation in full for designation, establishment or use of defense sites is provided in Title Two of this Compact.

Section 323

The military operating rights of the Government of the United States and the legal status and contractual arrangements of the United States Armed Forces, their members, and associated civilians, while present in Palau, are set forth in related agreements which shall come into effect simultaneously with this Compact.

Section 324

In the exercise in Palau of its authority and responsibility under this Title, the Government of the United States shall not use, test, store or dispose of nuclear, toxic chemical, gas or biological weapons intended for use in warfare and the Government of Palau assures the Government of the United States that in carrying out its security and defense responsibilities under this Title, the Government of the United States has the right to operate nuclear capable or nuclear propelled vessels and aircraft within the jurisdiction of Palau without either confirming or denying the presence or absence of such weapons within the jurisdiction of Palau.

Article III

Defense Treaties and International Security Agreements

Section 331

Subject to the terms of this Compact and its related agreements, the Government of the United States, exclusively, shall assume and enjoy, as to Palau, all obligations, responsibilities, rights and benefits of:

(a) Any defense treaty or other international security agreement applied by the Government of the United States as administering authority of the Trust Territory of the Pacific Islands as of the day preceding the effective date of this Compact; and

(b) Any defense treaty or other international security agreement to which the Government of the United States is or may become a party which it determines to be applicable in Palau. Such a determination by the Government of the United States shall be preceded by appropriate consultation with the Government of Palau.

Article IV

Service in the Armed Forces of the United States

Section 341

Any citizen of Palau entitled to the privileges of Section 141 of this Compact shall be eligible to volunteer for service in the Armed Forces of the United States, but shall not be subject to involuntary induction into military service of the United States so long as such person does not establish habitual residence in the United States, its territories or possessions.

Section 342

The Government of the United States shall have enrolled, at any one time, at least one qualified student from Palau as may be nominated by the Government of Palau, in each of:

(a) The United States Coast Guard Academy pursuant to 14 U.S.C. 195; and

(b) The United States Merchant Marine Academy pursuant to 46 U.S.C. 1295b(b)(6), provided that the provisions of 46 U.S.C. 1295b(b)(6)(C) shall not apply to the enrollment of students pursuant to Section 342(b) of this Compact.

Article V

General Provisions

Section 351

(a) The Government of the United States and the Government of Palau shall establish a joint committee empowered to consider disputes which may arise under the implementation of this Title and its related agreements.

(b) The membership of the joint committee shall comprise selected senior officials of each of the participating Governments. The senior United States military commander in the Pacific area shall be the senior United States member of the joint committee. For the meetings of the joint committee, each of the Governments may designate additional or alternate representatives as appropriate for the subject matter under consideration.

(c) Unless otherwise mutually agreed, the joint committee shall meet semi-annually at a time and place to be designated, after appropriate consultation, by the Government of the United States. The joint committee also shall meet promptly upon request of either of its members. Upon notification by the Government of the United States, the joint committee shall meet promptly in combined session with other such joint committees so notified. The joint committee shall follow such procedures, including the establishment of functional subcommittees, as the members may from time to time agree.

(d) Unresolved issues in the joint committee shall be referred to the Government of the United States and the Government of Palau for resolution, and the Government of Palau shall be afforded, on an expeditious basis, an opportunity to raise its concerns with the United States Secretary of Defense personally regarding any unresolved issue which threatens its continued association with the Government of the United States.

Section 352

In the exercise of its authority and responsibility under this Compact, the Government of the United States shall accord due respect to the authority and responsibility of the Government of Palau under this Compact and to the responsibility of the Government of Palau to assure the well-being of Palau and its people. The Government of the United States and the Government of Palau agree that the authority and responsibility of the United States set forth in this Title are exercised for the mutual security and benefit of Palau and the United States, and that any attack on Palau would constitute a threat to the peace and security of the entire region and a danger to the United States. In the event of such an attack, or threat thereof, the Government of the United States would take action to meet the danger to the United States and Palau in accordance with its constitutional processes.

Section 353

(a) The Government of the United States shall not include the Government of Palau as a named party to a formal declaration of war, without the consent of the Government of Palau.

(b) Absent such consent, this Compact is without prejudice, on the ground of belligerence or the existence of a state of war, to any claims for damages which are advanced by the citizens, nationals or Government of Palau which arise out of armed conflict subsequent to the effective date of this Compact and which are:

(1) petitions to the Government of the United States for redress; or

(2) claims in any manner against the government, citizens, nationals or entities of any third country.

(c) Petitions under Section 353(b)(1) shall be treated as if they were made by citizens of the United States.

TITLE FOUR

GENERAL PROVISIONS

Article I

Approval and Effective Date

Section 411

This Compact shall come into effect upon mutual agreement between the Government of the United States, acting in fulfillment of its responsibilities as Administering Authority of the Trust Territory of the Pacific Islands, and the Government of Palau, subsequent to completion of the following:

(a) Approval by the Government of Palau in accordance with its constitutional processes;

(b) Approval by the people of Palau in a referendum called on this Compact; and

(c) Approval by the Government of the United States in accordance with its constitutional processes.

Article II

Conference and Dispute Resolution

Section 421

The Government of the United States and the Government of Palau shall confer promptly at the request of the other on matters relating to the provisions of this Compact or of its related agreements.

Section 422

In the event the Government of the United States or the Government of Palau, after conferring pursuant to Section 421, determines that there is a dispute and gives written notice thereof, the Governments shall make a good faith effort to resolve the dispute among themselves.

Section 423

If a dispute between the Government of the United States and the Government of Palau cannot be resolved within 90 days of written notification in the manner provided in Section 422, either party to the dispute may refer it to arbitration in accordance with Section 424.

Section 424

Should a dispute be referred to arbitration as provided for in Section 423, an arbitration board shall be established for the purpose of hearing the dispute and rendering a decision which shall be binding upon the two parties to the dispute unless the two parties mutually agree that the decision shall be advisory. Arbitration shall occur according to the following terms:

(a) An arbitration board shall consist of a chairman and two other members, each of whom shall be a citizen of a party to the dispute and each of the two parties to the dispute shall appoint one member to the arbitration board. If either party to the dispute does not fulfill the appointment requirements of this Section within 30 days of referral of the dispute to arbitration pursuant to Section 423, its member on the arbitration board shall be selected from its own standing list by the other party to the dispute. Each government shall maintain a standing list of 10 candidates. The parties to the dispute shall jointly appoint a chairman within 15 days after selection of the other members of the arbitration board. Failing agreement on a chairman, the chairman shall be chosen by lot from the standing lists of the parties to the dispute within 5 days after such failure.

(b) The arbitration board shall have jurisdiction to hear and render its final determination on all disputes arising exclusively under Articles, I, II, III, IV, and VI of Title One, Title Two, Title Four and their related agreements.

(c) Each member of the arbitration board shall have one vote. Each decision of the arbitration board shall be reached by majority vote.

(d) In determining any legal issue, the arbitration board may have reference to international law and, in such reference, shall apply as guidelines the provisions set forth in Article 38 of the Statute of the International Court of Justice.

(e) The arbitration board shall adopt such rules for its proceedings as it may deem appropriate and necessary, but such rules shall not contravene the provisions of this Compact. Unless the parties provide otherwise by mutual agreement, the arbitration board shall endeavor to render its decision within 30 days after the conclusion of arguments. The arbitration board shall make findings of fact and conclusions of law and its members may issue dissenting or individual opinions. Except as may be otherwise decided by the arbitration board, one-half of all costs of the arbitration shall be borne by the Government of the United States and the remainder shall be borne by the Government of Palau.

Article III

Amendment and Review

Section 431

The provisions of this Compact may be amended at any time by mutual agreement of the Government of the United States and the Government of Palau in accordance with their respective consititutional processes.

Section 432

Upon the fifteenth and thirtieth and fortieth anniversaries of the effective date of this Compact, the Government of the United States and the Government of Palau shall formally review the terms of this Compact and its related agreements and shall consider the overall nature and development of their relationship. In these formal reviews, the governments shall consider the operating requirements of the Government of Palau and its progress in meeting the development objectives set forth in the plan referred to in Section 231(a). The governments commit themselves to take specific measures in relation to the findings of conclusions resulting from the review. Any alteration to the terms of this Compact or its related agreements shall be made by mutual agreement and the terms of this Compact and its related agreements shall remain in force until otherwise amended or terminated pursuant to Title Four of this Compact.

Article IV

Termination

Section 441

This Compact may be terminated by mutual agreement and subject to Section 451.

Section 442

This Compact may be terminated by the Government of the United States subject to Section 452, such termination to be effective on the date specified in the notice of termination by the Government of the United States but not earlier than six months following delivery of such notice. The time specified in the notice of termination may be extended.

Section 443

This Compact shall be terminated, pursuant to its constitutional processes, by the Government of Palau subject to Section 452 if the people of Palau vote in a plebiscite to terminate. The Government of Palau shall notify the Government of the United States of its intention to call such a plebiscite which shall take place not earlier than three months after delivery of such notice. The plebiscite shall be administered by such government in accordance with its constitutional and legislative processes, but the Government of the United States may send its own observers and invite observers from a mutually agreed party. If a majority of the valid ballots cast in the plebiscite favors termination, such government shall, upon certification of the results of the plebiscite, give notice of termination to the Government of the United States, such termination to be effective on the date specified in such notice but not earlier than three months following the date of delivery of such notice. The time specified in the notice of termination may be extended.

Article V

Survivability

Section 451

Should termination occur pursuant to Section 441, economic assistance by the Government of the United States shall continue on mutually agreed terms.

Section 452

Should termination occur pursuant to Section 442 or 443, the following provisions of this Compact shall remain in full force and effect until the fiftieth anniversary of the effective date of this Compact and thereafter as mutually agreed:

(a) Article I and Section 233 of Title Two;
(b) Title Three; and
(c) Articles II, III, V and VI of Title Four.

Section 453

Notwithstanding any other provision of this Compact:

(a) The provisions of Section 311, even if Title Three should terminate, are binding and shall remain in effect for a period of 50 years and thereafter until terminated or otherwise amended by mutual consent;

(b) The related agreements referred to in Article II of Title Three shall remain in effect in accordance with their terms; and

(c) The Government of the United States reaffirms its continuing interest in promoting the long-term economic advancement and self-sufficiency of the people of Palau.

Section 454

Any provision of this Compact which remains in effect by operation of Section 452 shall be construed and implemented in the same manner as prior to any termination of this Compact pursuant to Section 442 or 443.

Article VI

Definition of Terms

Section 461

For the purpose of this Compact the following terms shall have the following meanings:

(a) "Trust Territory of the Pacific Islands" means the area established in the Trusteeship Agreement consisting of the administrative districts of Kosrae, Yap, Palau, Ponape, the Marshall Islands and Truk as described in Title One, Trust Territory Code, Section 1, in force on January 1, 1979. This term does not include the area of the Northern Mariana Islands.

(b) "Trusteeship Agreement" means the agreement setting forth the terms of trusteeship for the Trust Territory of the Pacific Islands, approved by the Security

Council of the United Nations April 2, 1947, and by the United States July 18, 1947, entered into force July 18, 1947, 61 Stat. 3301, T.I.A.S. 1665, 8 U.N.T.S. 189.

(c) "Palau" is used in a geographic sense and includes the land and water areas to the outer limits of the territorial sea and the air space above such areas as now or hereafter recognized by the Government of the United States consistent with the Compact and its related agreements.

(d) "Government of Palau" means the Government established and organized by the Constitution of Palau including all the political subdivisions and entities comprising that Government.

(e) "Habitual Residence" means a place of general abode or a principal, actual dwelling place of a continuing or lasting nature; provided, however, that this term shall not apply to the residence of any person who entered the United States for the purpose of full time studies as long as such person maintains that status, or who has been physically present in the United States or Palau for less than one year, or who is a dependent of a resident representative, as described in Section 152.

(f) For the purposes of Article IV of Title One of this Compact:

(1) "Actual Residence" means physical presence in Palau during eighty-five percent of the period of residency required by Section 141(a)(3); and

(2) "Certificate of Actual Residence" means a certificate issued to a naturalized citizen by the Government which has naturalized him stating that the citizen has complied with the actual residence requirement of Section 141(a)(3).

(g) "Defense Sites" means those land and water areas and improvements thereon in Palau reserved or acquired by the Government of Palau for use by the Government of the United States, as set forth in the related agreements referred to in Section 321.

(h) "Capital Account" means, for each year of the Compact, those portions of the total grant assistance provided in Article I of Title Two, which are to be obligated for:

(1) the construction or major repair of capital infrastructure; or

(2) public and private sector projects identified in the official overall economic development plan.

(i) "Current Account" means, for each year of the Compact, those portions of the total grant assistance provided in Article I of Title Two, which are to be obligated for recurring operational activities including infrastructure maintenance as identified in the annual budget justifications submitted yearly to the Government of the United States.

(j) "Official National Development Plan" means the documented program of annual development which identifies the specific policy and project activities necessary to achieve a specified set of economic goals and objectives during the period of free association, consistent with the economic assistance authority in Title Two. Such a document should include an analysis of population trends, manpower requirements, social needs, gross national product estimates, resource utilization, infrastructure needs and expenditures, and the specific private sector projects required to develop the local economy of Palau. Project identification should include initial cost estimates, with project purposes related to specific development goals and objectives.

(k) "Tariff Schedules of the United States" means the Tariff Schedules of the United States as amended from time to time and as promulgated pursuant to United States law and includes the Tariff Schedules of the United States Annotated (TSUSA), as amended.

(1) "Vienna Convention on Diplomatic Relations" means the Vienna Convention on Diplomatic Relations, done April 18, 1961, 23 U.S.T. 3227, T.I.A.S. 7502, 500 U.N.T.S. 95.

Section 462

The Government of the United States and the Government of Palau shall conclude related agreements which shall come into effect and shall survive in accordance with their terms, and which shall be construed and implemented in a manner consistent with this Compact, as follows:

(a) Agreement Regarding the Provision of Telecommunication Services by the Government of the United States to Palau Concluded Pursuant to Section 131 of the Compact of Free Association;

(b) Agreement Regarding the Operation of Telecommunication Services of the Government of the United States in Palau, Concluded Pursuant to Section 132 of the Compact of Free Association;

(c) Agreement on Extradition, Mutual Assistance in Law Enforcement Matters and Penal Sanctions Concluded Pursuant to Section 175 of the Compact of Free Association;

(d) Agreement Regarding United States Economic Assistance to the Government of Palau Concluded Pursuant to Section 211(f) of the Compact of Free Association;

(e) Agreement Regarding Construction Projects in Palau Concluded Pursuant to Section 212(a) of the Compact of Free Association;

(f) Agreement Regarding Federal Programs and Services, Concluded Pursuant to Article II of Title Two and Section 232 of the Compact of Free Association;

(g) Agreement Regarding Property Turnover, Concluded Pursuant to Section 234 of the Compact of Free Association;

(h) Agreement Regarding the Military Use and Operating Rights of the Government of the United States in Palau Concluded Pursuant to Sections 321 and 322 of the Compact of Free Association; and

(i) Status of Forces Agreement Concluded Pursuant to Section 323 of the Compact of Free Association.

(j) Agreement regarding the Jurisdiction and Sovereignty of the Republic of Palau over its Territory and the Living and Non-living Resources of the Sea.

Article VII

Concluding Provisions

Section 471

(a) The Government of the United States and the Government of Palau agree that they have full authority under their respective constitutions to enter into this Compact and its related agreements and to fulfill all of their respective responsibilities in accordance with the terms of this Compact and its related agreements. The Governments pledge that they are so committed.

(b) The Government of the United States and the Government of Palau shall take all necessary steps, of a general or particular character, to ensure, not later than the effective date of this Compact, that their laws, regulations and administrative procedures are such as to effect the commitments referred to in Section 471(a).

(c) Without prejudice to the effects of this Compact under international law, this Compact has the force and effect of a statute under the laws of the United States.

Section 472

This Compact may be accepted, by signature or otherwise, by the Government of the United States and the Government of Palau. Each government shall possess an original English language version.

IN WITNESS THEREOF, the undersigned, duly authorized, have signed this Compact of Free Association which shall come into effect in accordance with its terms between the Government of the United States and the Government of Palau.

DONE AT ____________________, THIS ______ DAY

OF ______, ONE THOUSAND NINE HUNDRED EIGHTY-FIVE

FOR THE GOVERNMENT

OF

THE UNITED STATES OF AMERICA

____

DONE AT ____________________, THIS ______ DAY

OF ______, ONE THOUSAND NINE HUNDRED EIGHTY-FIVE

FOR THE GOVERNMENT

OF

THE REPUBLIC OF PALAU

____

JURISDICTION

SEC. 202. (a) **MARITIME AND TERRITORIAL JURISDICTION.**—With respect to section 321 of the Compact of Free Association and its related agreements, the jurisdictional provisions set forth in subsection (b) of this section shall apply only to the citizens and nationals of the United States and aliens lawfully admitted to the United States for permanent residence who are in Palau.

(b) **DEFENSE SITES.**—The defense sites of the United States established in Palau in accordance with the Compact of Free Association and its related agreements are within the special maritime and territorial jurisdiction of the United States as set forth in section 7, title 18, United States Code.

(c) **OFFENSES.**—(1) Any person referred to in subsection (a) of this section who within or upon such defense sites is guilty of any act or omission which, although not made punishable by any enactment of Congress, would be punishable if committed or omitted within the jurisdiction of the territory of Guam by the laws thereof, in force at the time of such act or omission, shall be guilty of a like offense and subject to a like punishment.

(2) The District Court of Guam shall have jurisdiction to try all criminal offenses against the United States, including the laws of Guam made applicable to the defense sites in Palau by virtue of subsection (c)(1) of this section, committed by any person referred to in subsection (a) of this section.

(3) The District Court of Guam may appoint one or more magistrates for the defense sites in Palau. Such Magistrates shall have the power and the status of Magistrates appointed pursuant to chapter 43, title 28, United States Code: Provided however, That such Magistrates shall have the power to try persons accused of, and sentence persons convicted of, petty offenses, as defined in section 1(3), title 18, United States Code, including violations of regulations for the maintenance of peace, order, and health issued by the Commanding Officer on such defense sites, without being subject to the restrictions provided for in section 3401(b), title 18, United States Code.

PURPOSE

The purpose of S.J. Res. 325 is to approve the Compact of Free Association which was negotiated by the United States and the Republic of Palau, one of the four governments comprising the Trust Territory of the Pacific Islands. The Compact sets the basis for termination of the Trusteeship and, if approved, would govern relations between the United States and Palau in the post-trusteeship period. The Congress has previously approved agreements with the other three governments of the Trust Territory of the Pacific Islands.

BACKGROUND

In 1947, the islands of Micronesia held by Japan under a Mandate of the League of Nations were placed under the U.N. Trusteeship System with the United States as Administering Authority. The area was designated as a "strategic trusteeship" placing supervision in the Security Council rather than the General Assembly.

The area consists of over 2,000 islands covering 3 million square miles of ocean. The population of 130,000 live on about 97 islands and consists of six distinct ethnic groups speaking nine mutually unintelligible languages.

With the decolonization movement of the early 1960's, the United States began to prepare the Micronesian peoples for self-determination and termination of the Trusteeship. The Congress of Micronesia was established in 1964 as the first indigenous association of representatives from the various districts and was the first effort by any administering power to impose unity on the various peoples. Political unity, however, did not survive once future status negotiations began in 1969.

While the Congress of Micronesia determined to pursue a status of free association, the representatives from the Northern Marianas sought a permanent relationship with the United States. Negotiations with the Northern Marianas resulted in the conclusion of a "Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States" on February 14, 1975. The Covenant was approved in the Northern Marianas in a U.N. observed plebiscite by a vote of 78.8 percent and subsequently by the U.S. Congress by Joint Resolution in 1976 (Public Law 94-241, 90 Stat. 263).

The remainder of the Trust Territory proceeded with negotiations on a Compact of Free Association despite internal difficulties until July 12, 1978, when the Marshalls and Palau rejected a draft Constitution for the Federated States of Micronesia. The former districts of Yap, Kosrae, Truk, and Ponape approved the Constitution and became the Federated States of Micronesia (FSM) while Palau and the Marshalls developed their own constitutions and became the Republic of Palau and the Republic of the Marshall Islands.

By late 1980, general agreement had been reached on language for the Compact. After a year's review, the new Administration reconvened negotiations in October 1981, and announced that it supported the agreements and proposed prompt resolution of remaining issues. Negotiations were completed with each of the three governments in 1982 and 1983, and, as with the Marianas, the United Nations was invited to observe the plebiscites in each of the areas.

On June 21, 1983, the Federated States of Micronesia (FSM) voted in favor of the Compact by 79 percent and on September 7, 1983, the Republic of the Marshall Islands (RMI) voted in favor of the Compact by 58 percent.

After completion of the approval process by the FSM and RMI governments, the Compact was submitted to the U.S. Congress for approval March 30, 1984. Among the changes made to the provisions of the Compact at the urging of the Administration was a reduction in the trade and tax benefits available to the FSM and RMI. To offset the loss of these benefits Congress provided funds to establish investment development funds by each of the two governments and extended additional economic development programs from the Department of Commerce. Congress also specified how the U.S. Government would administer the Compact by assigning specific responsibilities to both the Departments of State and the Interior. Furthermore, although this Compact did not apply to Palau, Congress included a provision approving, in principle, a separate Compact of Free Association with Palau, provided the President certifies that the United States would be able to fully implement the security and defense provisions of that Compact. The Resolution approving the Compact with the FSM and RMI was enacted on January 14, 1986, as Public Law 99-239.

Palau had voted in favor of the Compact by a United Nations observed plebiscite vote of 62 percent on February 10, 1983. In a separate vote at the same time, a majority of the Palauan voters indicated a preference for a closer relationship with the United States if free association were not approved. The Compact was not transmitted to the United States by the President of Palau due to a Palau court decision. The Palau court had ruled that a provision of the Palau Constitution required a 75 percent vote of approval. Article II, Section 3 of the Palau Constitution requires a 75 percent vote of approval in a nationwide referendum for the government to delegate, by treaty, compact or other agreement, defense, security or foreign affairs to another nation if such agreement authorizes the "use, testing, storage or disposal of nuclear, toxic chemical, gas or biological weapons intended for use in warfare". The court held that the security and defense responsibilities of the United States under Title III of the Compact would authorize the activities described in Article II, Section 3 of the Constitution, therefore a 75 percent vote was required. In the hope of getting the necessary 75 percent vote of approval, a second plebiscite was held on September 4, 1984. However, the result was a 67 percent vote of approval.

In a further effort to resolve this issue, Compact negotiations were reopened with Palau and a new Section 324 was added to the Compact in which the United States agrees not to use, test, store or dispose of nuclear weapons in Palau. Also, Palau agrees that, consistent with U.S. defense responsibilities, the United States will be able to operate nuclear capable and nuclear propelled vessels and aircraft in Palau without confirming or denying the presence or absence of nuclear weapons. On February 21, 1986, Palau held another U.N. observed plebiscite and approved the modified compact by a vote of 72.2 percent. The report of the United Nations visiting mission observing this plebiscite in Palau concluded:

> * * * the plebiscite held on 21 February represented yet another valid act of self-determination by the people of Palau in which all eligible voters had the opportunity to participate of their own free will. The turnout of 71 percent was commendably high, given the low-key atmosphere and a certain weariness with plebiscites. A 72 percent positive vote in what was, in effect, the third plebiscite on virtually the same issue, is a remarkable achievement in any democratic society in which the vote is not compulsory. It testifies to the political awareness of the Palauan people and the importance they attach to their future constitutional status.

The President transmitted the Compact to Congress for approval on April 10, 1986, and it was introduced by Senator McClure, by request, on April 16, 1986, as S.J. Res. 325 and referred to the Committee. The Committee had conducted an oversight hearing on the Compact on February 27, 1986. Upon introduction of S.J. Res. 325, the Committee conducted a hearing on May 9, 1986, and considered S.J. Res. 325 in an open business session on July 30, 1986, unanimously reporting the resolution favorably to the Senate with an amendment.

On May 28, 1986 the United Nations Trusteeship Council considered the plebiscites for all four units of the Trust Territory and adopted Resolution 2183 recommending to the Security Council that the Trusteeship Agreement be terminated upon the full entry into force of the Compact of Free Association and the Commonwealth Covenant. The full text of the Trusteeship Council resolution is presented in the appendix.

A comprehensive background and history of the Trust Territory and the negotiations on future status is set forth in the report of the Senate Committee on Interior and Insular Affairs to accompany H.J. Res. 549, to approve the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America, 94th Congress, 1st Session, S. Rept. No. 94-433, October 22, 1975, and in the Report of the Senate Committee on Energy and Natural Resources to accompany S.J. Res. 77, to approve the Compact of Free Association, 99th Congress, 1st Session, S. Rept. No. 99-16, March 22, 1985.

SUMMARY OF COMPACT OF FREE ASSOCIATION WITH PALAU

Although a section-by-section analysis of the Compact is provided under the description of the Committee amendment later in this report, a more succinct summary of the Compact's principal features is given below.

The United States does not have nor claim sovereignty over the Trust Territory of the Pacific Islands, but exercises control as Administering Authority pursuant to a United Nations Trusteeship Agreement. The Compact, consequently, does not confer authority on Palau, but rather provides the basis for termination of the United Nations Trusteeship and describes the relationship between

Palau and the United States in the post-trusteeship period. The Compact has four titles.

Title One generally describes the political relationship of free association. Palau will be self-governing, exercising full control over both internal and external affairs except in the area of defense. Provision is made for consultation on foreign affairs and the United States agrees, at Palau's request, to represent them and provide consular and other assistance, including representation on telecommunications. Provision is made for immigration, environmental protection, and transition matters.

Title Two sets forth the nature and conditions of grant assistance to replace the current annual appropriations. In general, during the first 15-year period of the Compact, the United States will provide assistance for both operations and capital accounts as well as block grants for health and education, maritime surveillance, impact assistance for defense sites, energy development, and communications. In addition, the United States agrees to capitalize a National Investment Fund designed to yield funds to Palau after grants in the first 15 years have ceased. The United States also agrees to build a road system on the largest island of Palau and to continue the activities of the Weather Service, Postal Service, FAA, and CAB. The United States also agrees to provide technical assistance and, upon the request of the local government, may extend other programs and assistance. The title also provides Palau with the trade and tax treatment which was provided to the FSM and RMI under their Compact as well as the compensatory assistance provided by the Congress to the FSM and RMI after the Administration insisted that the original tax and trade provisions be altered.

Title Three provides that the United States will exercise plenary defense rights including the option to foreclose access to or use of the area by military personnel or for the military purposes of any third country. The title also grants the United States rights to certain lands for military sites or facilities and permits Micronesians to enlist in the U.S. Armed Forces and to enroll in the Coast Guard and Merchant Marine Academy.

Title Four provides for the effective date of the Compact, dispute resolution, amendment, termination, survivability, and definitions.

The Compact, if approved, will be enacted as a matter of domestic law. The Administration has concluded subsidiary agreements to implement the provisions of the Compact. With the exception of the Law Enforcement agreement concluded pursuant to Section 175, which under Section 175 has the force and effect of law, these agreements were submitted to explain how the Compact would be implemented but were not submitted for enactment. The subsidiaries are:

(a) Agreement Regarding the Provision of Telecommunication Services by the Government of the United States to Palau, Concluded Pursuant to Section 131 of the Compact of Free Association;

(b) Agreement Regarding the Operation of Telecommunication Services of the Government of the United States in Palau, Concluded to Section 132 of the Compact of Free Association;

(c) Agreement on Extradition, Mutual Assistance in Law Enforcement Matters and Penal Sanctions Concluded Pursuant to Section 175 of the Compact of Free Association;

(d) Agreement Regarding United States Economic Assistance to the Government of Palau Concluded Pursuant to Section 211(f) of the Compact of Free Association;

(e) Agreement Regarding Construction Projects in Palau Concluded Pursuant to Section 212(a) of the Compact of Free Association;

(f) Agreement Regarding Federal Programs and Services Concluded Pursuant to Article II of Title Two and Section 232 of the Compact of Free Association;

(g) Agreement Regarding Property Turnover Concluded Pursuant to Section 234 of the Compact of Free Association;

(h) Agreement Regarding the Military Use and Operating Rights of the Government of the United States in Palau Concluded Pursuant to Sections 321 and 322 of the Compact of Free Association;

(i) Status of Forces Agreement Concluded Pursuant to Section 323 of the Compact of Free Association; and

(j) Agreement Regarding the Jurisdiction and Sovereignty of the Republic of Palau over its Territory and the Living and Non-Living Resources of the Sea.

The text of the subsidiaries is set forth in the Executive Communications.

During the Committee's hearing on the Palau Compact, three issues were raised with respect to the relation of the Compact to the Palau Constitution.

The first concerned whether the 72-percent vote in favor of the Compact in the February 1986 referendum was a sufficient majority to approve the Compact. Some witnesses contended that the Compact needed a minimum vote of 75 percent to go into effect, because of the requirement in Article II, Section 3, of the Palauan Constitution that " . . . any such agreement which authorized use, testing, storage or disposal of nuclear, toxic chemical, gas or biological weapons intended for use in warfare shall require approval of not less than three-fourths (3/4) of the votes cast is such referendum."

Ths contention was specifically refuted by the President of Palau as well as the Attorney General of Palau who provided a legal opinion which concluded that there is no constitutional requirement for approval by 75 percent in a referendum, because in Section 324, the United States, unlike in previous versions of the Compact, agrees not to use, test, store or dispose of nuclear weapons in Palau, thus obviating the need for 75 percent approval.

The second constitutional issue concerned the transit of nuclear weapons. The Palau Compact gives the United States the right to operate its military aircraft and ships in Palauan territory, without having to confirm or deny that nuclear weapons are aboard any of these vessels or aircraft. A question raised by some witnesses was: Could transit of nuclear weapons constitute "storage", which is prohibited by the Compact? For example, if a U.S. ship with nuclear weapons aboard docks in a Palauan port for several days, does that constitute storage?

The President of Palau indicated that his government differentiated between permanent, in-ground storage of nuclear weapons, which is mentioned by the Palau Constitution, and temporary transit on ships or aircraft, which is not so mentioned.

The third constitutional issue concerned the definition of nuclear powerplants. Article XIII, Section 6 of the Palau Constitution requires a 75- percent vote of approval in a referendum before a nuclear powerplant is permitted to operate in Palau. The argument was raised by some that nuclear propulsion systems on U.S. ships fall within the definition of nuclear powerplants in the Palau Constitution. President Salii stated that the term "nuclear powerplant" meant ground-based nuclear powerplants, and was not intended to include nuclear propulsion systems on ships.

Subsequent to the Committee's hearing, these issues were brought before the Supreme Court of Palau in a suit that alleged the government's referendum education program was biased and that the maritime jurisdiction, military land use and military operating rights provisions of the Compact violated Palau's Constitution. On July 10, 1986, an Associate Justice in the Trial Division of the Supreme Court of Palau ruled, in an oral summary judgment, in favor of the plaintiffs on the military operating rights issue but in favor of the Government of Palau on all other issues. The Government of Palau immediately filed a Notice of Appeal which is expected to be heard by a three judge panel of the Appellate Division of the Supreme Court of Palau in late August of 1986.

LEGISLATIVE HISTORY

The Committee on Energy and Natural Resources and its predecessor, the Committee on Interior and Insular Affairs conducted several oversight hearings on the progress of the negotiations since their inception in 1969 until their conclusion. the most recent Committee oversight hearing specifically on the Palau negotiations was held on February 27, 1986. S.J. Res. 325 was introduced by Senator McClure at the request of the Administration on April 16, 1986. A hearing was held on the measure on May 9, 1986, and on July 30, 1986, it was considered and ordered favorably reported by the full Committee in an open business session.

COMMITTEE RECOMMENDATION AND TABULATION OF VOTES

The Senate Committee on Energy and Natural Resources in an open business session on July 30, 1986, considered S.J. Res. 325 and by unanimous vote of a quorum present recommends that the Senate pass S.J. Res. 325, if amended, as described herein.

The rollcall vote on reporting the measure was 18 yeas, 0 nays as follows:

YEAS	NAYS
Mr. McClure	
Mr. Hatfield [1]	
Mr. Weicker [1]	
Mr. Domenici [1]	
Mr. Wallop [1]	
Mr. Warner	

Mr. Murkowski
Mr. Nickles
Mr. Hecht
Mr. Evans
Mr. Johnston
Mr. Bumpers
Mr. Ford
Mr. Metzenbaum [1]
Mr. Melcher
Mr. Bradley [1]
Mr. Bingaman
Mr. Rockefeller

---

[1] Indicates vote by proxy.

COMMITTEE AMENDMENT

The Committee amendment inserts a new text in lieu of S.J. Res. 325. Except as noted below, the language precisely mirrors the text of Public Law 99-239 approving the Compact with the FSM and RMI.

Section 101 has three general provisions: one, approval of the Compact; two, amendment, change or termination of the Compact and related agreements; and three, establishment of an effective date for the Compact. The approval provision specifies that Congress is also approving the subsidiary agreements as they relate to Palau and that the President is authorized to agree to an effective date for the Compact in accordance with Section 411 of the Compact and having taken into consideration any procedures with respect to the United Nations termination of the Trusteeship Agreement.

Subsection (c) provides that agreement between the United States and Palau, to amend, change or terminate all or part of the Compact, can only become effective through an Act of Congress and no unilateral action by the United States may become effective without an Act of Congress. The subsection further specifies which sections of the Compact and the subsidiary agreements, or portions thereof, shall require an Act of Congress to amend, change or terminate. The Compact provides that changes may be made by mutual agreement in most instances or unilaterally with respect to termination. This new provision clarifies that any such action by the United States may be done only by the enactment of legislation. These provision apply to all parts of the Compact, as well as those subsidiary agreements the terms of which are incorporated by reference into the Compact, and in addition to certain provisions of the subsidiary agreements.

Subsection (d) provides that the President shall not agree to an effective date for the Compact until after certifying to the Congress that there are no legal impediments to the ability of the United States to carry out fully its security and defense responsibilities pursuant to Title III of the Compact. The Committee intends that an effective date will take into account any procedures with respect to the United Nations for termination of the Trusteeship Agreement and will recognize and respect the terms and principles of the Palau Constitution. Subsection (d) also provides that the President shall not agree to an effective date unless the agreements required to be concluded with the Federated States of Micronesia under Section 102 of Public Law 99-239 are also concluded with Palau, are submitted to Congress for approval, and a period of 30 days has passed without Congress enacting a joint resolution of disapproval. It is also intended under this subsection that the Congress shall consider these agreements under expedited procedures and that the President shall transmit to Congress any amendment, change or termination of any subsidiary or related agreement specified in paragraph (4) for the same consideration and approval procedures.

Section 102 extends the relevant provisions of Public Law 99-239, approving the Compact of Free Association with the Federated States of Micronesia and the Republic of the Marshall Islands, to Palau. These provisions include the interpretation of United States policy regarding the Compact as set forth in Section 104 of Public Law 99-239 and the extension of Sections 105 (except subsection (i)), 106, 110, and 111(a) and (d), as these sections apply to the Republic of the Marshall Islands under Public Law 99-239.

In extending the provisions of Section 104 of Public Law 99-239 the Committee specifically intends that the interpretation of United States policy regarding human rights, immigration, nonalienation of lands, nuclear waste disposal, the impact of the Compact on United States areas, fisheries management and foreign loans shall all apply in Palau in the same manner and to the same extend as in the Marshall Islands.

It is the Committee's continued intent that the general programs and services to be available pursuant to Section 105 (except subsection (i)) and Section 111(a) shall have appropriations made pursuant to authorizations which provide for these programs and services nationally and not pursuant to the Compact. "Appropriations made pursuant to the Compact," as stated in Section 105(g)(2) of Public Law 99-239, means appropriations only for those specific programs and services for which appropriations are authorized specifically in the Compact or the joint resolution approving the Compact, such as prior service benefits on the general operation and capital grants. Programs or services eligibility for which is extended to the Federated States of Micronesia, the Marshall Islands or Palau under Sections 105 and 111(a) of the Compact, such as the Public Health Service, Legal Services, the general programs of the Department of Commerce, etc. are intended to be available so long as such programs continue to exist and are funded by the Congress. The activities are not subject to reimburement but are to be provided under the supervision of the Secretary of the Interior by the agency which would otherwise administer the program. It is intended that these programs and services will be administered and budgeted for in the Federated States of Micronesia, the Republic of the Marshall Islands and Palau, in the same manner as and so long as such programs and services are administered and budgeted for other areas within or outside the United States, except for the coordination and monitoring responsibilities of the Secretary of the Interior.

The extension of domestic programs under Section 105(a) is made with the specific continued intent that it is program "eligibility" that is being extended. This Compact does not itself authorize separate appropriations for these programs to be offered in Palau just as Public Law 99-239 did not authorize separate appropriations for general domestic programs, such as the Public Health Service, to be offered in the Federated States of Micronesia and the Marshall Islands. Accordingly, the programs and services extended pursuant to Section 105(a) are intended to be made available in the same manner as such programs and services are made available to other eligible governments, institutions or persons and within the funds appropriated generally to the agencies for such programs.

Section 105 of Public Law 99-239 included a variety of provisions and these, except as provided below, are extended to Palau as they apply to the Marshall Islands. Section 105(a) recognizes that not all programs and services provided to the freely associated states are simple grants through the Department of the Interior. Activities of the Public Health Service, National Health Service Corps, Legal Services, Historic Preservation, Small Business Administration, various programs of the Department of Commerce, and other programs have either been extended or will continue to be available in the post-Trusteeship period. These programs will not be funded through the Secretary of the Interior, but rather as a part of the normal appropriations process for those agencies. This section provides that those programs remain subject to all the regulations and other requirements applicable to the programs as they operate in the United States. The Committee notes that pursuant to 105(2) and (3), the agencies are required to consult with the Secretary of the Interior and deliver programs and services under his supervision.

Section 105(b) establishes the framework for management of the post-Trusteeship relationship and the fulfillment of United States commitments and obligations. Pursuant to (b)(1), the resident representative is to be appointed by the President subject to the advice and consent of the Senate. Pursuant to (b)(4) the resident representative will supervise Federal personnel assigned to the freely associated states. Such supervision would provide a degree of coordination similar to that provided by the head of mission in other foreign countries but does not affect or limit the responsibilities of other Federal agencies in the provision of programs or services, nor the overall responsibility of the Secretary of the Interior with respect to programs and other activities. The Secretary of State is to have general responsibility for government to government relations which would include formal communications between the governments. The Secretary of State, pursuant to Title I of the Compact, would also be required to fund and administer certain services, traditionally provided by the Department of State, such as consular assistance.

In recognition, however, that free association is a unique relationship in which various federal programs and services will be provided to a sovereign foreign country much as they are provided on a domestic basis, (b)(2) and (3) require that *all* such assistance be provided only after consultation with and under the supervision of the Secretary of the Interior who is given responsibility for coordinating and monitoring all programs and activities whether funded directly through the Department or through other federal agencies as a part of their normal appropriations process. This authority does not authorize a unified budget submitted through the Department of the Interior nor provide the Secretary a veto over other agencies discharging their responsibilities, but it is the explicit understanding and expectation that the Secretary of the Interior will be prepared annually to address the activities of all Federal agencies before both the authorizing and appropriating Committees when testifying with respect to that portion of the budget required to be funded through the Department. Subsection (b)(1) requires that all appropriations pursuant to the Compact of Public Law 99-239 may be made only to the Secretary of the Interior. This provision includes only those activities for which a specific authorization for the appropriations of funds is included as opposed to activities such as consular assistance (which should be provided by, and funded through normal appropriations to, the Department of State), programs and activities to the Department of Commerce relating to marine resources and tourism, the Public Health Service, technical assistance from any federal agency where such assistance is otherwise authorized to be provided domestically, Legal Services, Small Business, EDA, Historic preservation grants, etc. The Secretary of the Interior is expected to be conversant with and be supportive of such agencies fulfilling the United States responsibilities under free association.

Subsection (b)(5) was included at the request of the Administration to clarify that the provisions of this section did not affect the ability of the President to convene a Cabinet level group to review and offer policy guidance much as he does in other areas. The authorization does not extend, however, to the creation of a separate office nor does it extend to management of the responsibilities specifically assigned to either the Secretary of State or the Secretary of the Interior. Neither may either Secretary delegate or assign any responsibility outside his Department. The Committee anticipates that each Secretry will be able to manage and administer his responsibilities within his existing organizational structure, although no such limitation is contained in the section to afford each Secretary sufficient discretion to carry out his responsibilities as he deems best.

The extension of Section 105(c) is made with the express intent to continue the open-end authorization to the Trust Territory for Palau for the purposes specified in Public Law 99-239 including, but not limited to, transition, completion of projects and fulfillment of obligations or commitments, termination of the Trust Territory Government or of the High Court, health and education as a result of exceptional circumstances, technical assistance, and/or training in financial management, program administration and infrastructure maintenance.

In extending the authorization for medical referrals under Section 105(d) the Committee intends that in addition to the funds provided in Title II, Article II, Section 211(d) and Section 221(b) of the Compact, following approval of the Compact with respect to Palau, the United States shall make available to the Government of Palau such sums as may be necessary for the payment of the obligations incurred for the use of medical facilities in the United States, its territories and commonwealths by citizens of Palau prior to September 1, 1985.

Section 105(e) regarding survivability of provisions of the Compact is specifically extended and intended to have the same meaning and intent in Palau as in the Marshall Islands.

Section 105(f), which places limitations on Title I, Article V of the Compact regarding representation is specifically extended to Palau. The Committee intends that these limitations on U.S. citizens involved in Compact negotiations shall apply in Palau as in the Marshall Islands.

Section 105(g) regarding noncompliance sanctions are intended to apply in Palau in the same manner as in the Marshall Islands. With the extension of this subsection, the Committee reaffirms the understanding that Palau will not act in a manner incompatible with the authority and responsibility of the United States for security and defense matters in Palau. Any such act would be considered by the United States as a material breach of the Compact and the United States would reserve the right, in such event, to take action, including the suspension in whole or in part of the obligations of the United States.

The programs and services set forth in Section 105(h)(1) are intended to be provided to Palau on a nonreimbursable basis as in the Marshall Islands. As mentioned previously, Section 105(h) is not intended to be interpreted as an authorization for appropriations for these programs in Palau or the Marshall Islands, but as an extension of eligibility for separated funded and authorized domestic programs. Subsection (h)(2), continuing the applicability of United States laws in Palau under Public Law 99-239 will no longer be relevant with the approval of this Compact with Palau and it is the Committee's intent therefore, that it no longer apply. Subsection (h)(3) further provides that the determination by the Government of the United States under Section 219 of the Compact, regarding previously appropriated funds, shall be as provided in appropriations Acts. Finally, the provisions of Section 105(h)(4), regarding tort claims, is specifically intended to apply in Palau as in the Marshall Islands. More specifically, the Committee intends that at the time the Trusteeship Agreement ceases to apply to Palau, the provisions of Section 178 of Public Law 99-239, (which are the provisions of Section 177 of the Compact with Palau) shall apply to employees of any Federal agency of the Government of the United States which provides any service or carries out any function pursuant to the Compact, except for the provisions of Title III and of the subsidiary agreements related to Title III of the Compact.

In extending Section 105 under this section, subsection (i) was excluded because the Micronesian Occupational College in Palau is a part of the College of Micronesia System. Since Public Law 99-239 already continues program eligibility for the entire College of Micronesia System, it is unnecessary to continue the Micronesian Occupational College separately.

Section 105(j) authorizies appropriations to pay United States instrumentalities amounts owed to them by Palau, although such appropriations are also authorized by the open-end authorization of Section 105(c), which has also been extended to Palau by Section 102 of the Committee amendment.

Section 105(k) authorizes continuation of medical referrals to Department of Defense facilities which the Committee intends shall be available on a reimbursable basis. This subsection also directs the continued availability of the National Health Service Corps to Palau which the Committee intends shall be made available on a nonreimbursable basis. The extension of the National Health Service Corps is intended to be made in the same manner as the extension of the eligibility of other domestic programs such as those under Section 105(h). Specifically, the Committee intends that the National Health Service Corps shall continue to be available in Palau in the same manner as the program is available to other governments and persons and shall conduct its activities with funds appropriated directly to it and not from or only as a result of appropriations to the Secretary of the Interior. The delivery of program services, however, is to be done only after consultation with and under the supervision of the Secretary of the Interior.

Section 105(l) which provides technical assistance, is also extended by Section 102 of the Committee amendment. The Committee intends that the extension of technical assistance is not an authorization but is the extension of eligibility for technical assistance programs and that this assistance shall be available in Palau in the same manner and to the same extent as it is available to other eligible governments, institutions or persons. Section 105(l) specifies that this assistance shall be on a nonreimbursable basis and that it shall not be charged against any amounts paid to Palau.

Section 105(m), which provides that persons receiving Prior Service Benefits before July 1, 1968, shall continue to receive such payments, is specifically extended to Palau. Sections 105(n) and (o) authorizing Indefinite Land Use Payments and a Communicable Disease Control program, are also extended by Palau, although such authorizations are covered by the open-ended authorization of Section 105(c). The Committee notes that the Congress has provided funding for the Prior Service Benefits program in the fiscal year 1986 supplemental pursuant to this authorization. The Committee believes that the lump sum payment decided upon by the Appropriations Committees is the preferred route rather than a continued year-by-year appropriation.

Section 105(p) regarding the responsibilities of the United States pursuant to Section 235 of the Compact is intended to apply in Palau as in the Marshall Islands. The Committee reaffirms its intention that the Secretary of Interior shall discharge the responsibilities of Section 235 of the Compact, regarding trust funds, in consultation with the Government of Palau.

Section 105(q), which specifies the contents of the President's annual reports to Congress regarding determinations made by the United States in the exercise of its authority under Section 313 of the Compact, is intended to apply in Palau as it applies in the Marshall Islands.

Section 105(r), which clarifies the application of user fees, is also extended to Palau by the Committee amendment. The Committee intends that user fees shall apply in Palau as they apply in the Marshall Islands and the United States.

Section 102 of the Committee amendment also extends the provisions of Section 106 of Public Law 99-239 to Palau as they apply in the Marshall Islands. The Committee extends the authorization for appropriations to assist United States firms in obtaining construction and major repair contracts within Palau. The appropriations are to cover any additional costs incurred by the Government of Palau in hiring U.S. firms, provided that the amount of the subsidy does not exceed 10 percent of the amount of the lowest qualified bid from a non-United States firm for such contract.

Section 102 of the Committee amendment extends Section 110 of Public Law 99-239 which details the President's responsibilities regarding financial audits. The Committee intends that Section 110 shall apply to Palau as it applies to the Marshall Islands.

Finally, Section 102 of the Committee amendment extends certain provisions of Section 111 of Public Law 99-239, the compensatory adjustments provisions, and the Committee notes that the tax and trade provisions of Title IV of Public Law 99-239 have been included as Articles IV and V of Title II of the Compact of Free Association with Palau. The Committee intends that Articles IV and V of Title II of the Compact of Free Association with Palau shall have the same applicability in Palau as Title IV of Public Law 99-239 has in the Federated States of Micronesia and the Republic of the Marshall Islands. The Committee further intends that the compensatory adjustments of Section 111 shall apply in Palau as they apply in the Marshall Islands. Subsection (b) of Section 111 was not extended because the Investment Development funds of subsection (b) were included in the Compact in the amounts to be paid pursuant to Section 211(f). Subsection (c), which would provide a Board of Advisors to give policy guidance, was not extended because Palau chose to integrate these funds with their other investment funds. These other funds already have policy guidance provided by an investment commission and fund manager.

Section 103 repeals Title V of Public Law 99-239. Because Title V of Public Law 99-239 provided for the approval in principle of the Compact of Free Association with Palau, and this resolution will actually approve that Compact, Title V is no longer relevant and can therefore be repealed.

Section 104 adds three new provisions to the Compact with Palau. Subsection (a) makes United States military Civic Action Teams available for us in Palau on a reimbursable basis. The provision is supported by the Administration and clarifies existing law. Subsection (b) directs the Secretary of the Interior to conduct a comprehensive inventory and study of the significant natural, historical, cultural and recreational resources of Palau, the Federated States of Micronesia and the Republic of the Marshall Islands and to report to these Freely Associated States and the appropriate Committees of Congress no later than two years after enactment of this joint resolution and to some extent duplicates Section 205 of Public Law 97-357 (96 Stat. 1708). Subsection (c) provides an authorization for the orderly reduction of United States programs and services in the Federated States of Micronesia, the Marshall Islands and Palau.

The Committee amendment includes, as Title II, the text of S.J. Res. 325 as introduced. A section-by-section analysis follows.

SECTION-BY-SECTION ANALYSIS OF THE PALAU COMPACT OF FREE ASSOCIATION

The Compact of Free Association is divided into a preamble and four titles: Governmental Relations; Economic Relations; Security and Defense Relations; and General Provisions.

PREAMBLE

The Preamble recognizes that the agreement is concluded on a government-to-government basis; that the people of Palau have and retain their sovereignty and their sovereign right to self-determination; that Palau is self-governing under its own constitution; and that the political and legal relationship between Palau and the United States, known as "Free Association", is described and governed by the Compact. The Preamble recognizes the competence of the constitutional governments within the Trust Territory to enter into the Compact. Furthermore, the Compact supports the legitimacy of the new political status as consistent with the goals of the United Nations trusteeship system and consequently as a basis for termination of the Trusteeship.

TITLE ONE

GOVERNMENTAL RELATIONS

Article I, Self-Government

Section 111. This section recognizes that the people of Palau, acting through their constitutional governments, are self-governing. This recognition is the foundation of the government-to-government agreement and is consistent with the international political status of free association.

Article II, Foreign Affairs

Section 121. In this section, the United States recognizes the capacity of Palau to conduct foreign affairs in its own name and right. This includes the capacity to enter into treaties and other international legal personalities of Palau. Thus, for example, whereas the United States will provide certain services under the Compact, these activities will take place on a government-to-government basis through an international agreement, rather than by the direct extension of U.S. domestic programs as was done during the Trusteeship.

Palau agrees in this section to conduct their affairs of state in accordance with international law and settle disputes by peaceful means.

Section 122. In this section, the United States agrees to support Palau's participation and membership in regional and international organizations as may be mutually agreed.

This section also obligates the United States to accept qualified Palau citizens for training in the Foreign Service Institute. This program will contribute to capabilities to meet the demands of their new political status and promote intergovernmental cooperation between Palau and the United States.

Section 123. In this section, Palau agrees to consult with the United States in foreign affairs matters in recognition of the authority and responsibility of the United States under Title III (security and defense relations).

This section also provides that the United States will consult with Palau on foreign affairs matters which relate to or affect Palau and will provide Palau information on regional foreign policy matters on a regular basis.

Section 124. In this section the United States recognizes the authority of Palau to conduct its foreign affairs regarding the law of the sea and marine resources, including the conservation, exploration or utilization of living and nonliving marine resources, as recognized under international law.

This section also recognizes the jurisdiction and sovereignty of Palau over its land, waters and air space, only to the extent as authorized under international law.

Section 125. This section provides for termination of all obligations, responsibilities, rights and benefits of the United States under any treaty made applicable to the Trust Territory during the Trusteeship. The continued application of such treaties to Palau will be determined in accordance with international law, and will thus depend upon the relations between Palau and other signatories of such agreements. However, under Title III and the separate agreements concluded pursuant thereto, defense treaties and international security agreements will continue in force.

Section 126. This section is a disclaimer by the United States of responsibility for Palau actions in their exercise of their foreign affairs capacity.

Section 127. Under this section the United States may provide, if requested and mutually agreed, to assist or act in behalf of Palau in foreign affairs. The section also states, however, that the United States shall not be responsible to third parties for the actions of Palau undertaken with the assistance of the United States unless expressly agreed.

Section 128. Under this section, the United States will provide, upon request, consular services to Palau citizens abroad as if they were United States citizens.

Article III, Communication

Section 131. This section recognizes Palau's authority and responsibility to control domestic and foreign communications, and enables the United States to represent Palau before the International Telecommunications Union with respect to frequency registration and broadcast scheduling until Palau chooses to undertake that function themselves. This section also extends Federal Communications Commission jurisdiction to Palau as regards to the operations of satellite earth terminal stations operated by U.S. common carriers. Under this arrangement, the details of which are set forth in separate agreements, Palau will be included in the United States telecommunications system for rate-making and other operational aspects relating to United States common carriers.

Section 132. This section ensures United States ability to operate telecommunications systems in Palau in connection with its obligations under the Compact.

Article IV, Immigration

Section 141. This section effectively exempts Palau citizens meeting specified criteria from certain United States passport, visa and work permit requirements and enables them to enter, reside, be employed, attend school or remain as visitors in the United States. Section 141 also recognizes the ability of the United States Congress to promulgate, or authorize the legislatures of United States territories to promulgate, non-discriminatory immigration laws or regulations applicable to Palau citizens who wish to establish "habitual residence" in those U.S. territories (habitual residence is defined as establishment of a place of general abode or principal, actual dwelling place of a continued or lasting nature and of at least one year duration).

Finally, entry into the United States under the authority of Section 141(a) does not confer the right of Palau citizens to establish residency necessary for naturalization. Section 141(a), however, does not preclude Palau citizens from acquiring lawful permanent resident status by other means.

Section 142. Palau reciprocity for the open immigration arrangement provided under Section 141 is set forth in this section. United States citizens will be able to enter, reside and be employed in Palau, subject only to Palau law providing for exclusion of undesirable aliens. Establishment of "habitual residence" in Palau by United States citizens would also be subject to Palau law. This section also recognizes the right of Palau to regulate occupations in a non-descriminatory manner.

Section 143. The privileges set forth in Sections 141 and 142 will be lost to a citizen of Palau or the United States who takes an affirmative step to preserve or acquire a citizenship or nationality other than that of Palau or the United States or fails to renounce such an existing citizenship or nationality within two years after the effective date of the Compact. Section 143 does not deny the privileges conferred by Sections 141 and 142 where citizenship is held in both Palau and the United States.

Section 144. This section enables United States citizens to accept employment by Palau without losing their U.S. citizenship. The section also provides that the U.S. may consult or provide information to Palau concerning a prospective employee.

Article V, Representation

Sections 151-152. These sections provide for the establishment of resident representatives in the capitals of the United States and Palau. Designated representatives are entitled to limited or functional immunity, exemptions and privileges in connection with the performance of official duties.

Article VI, Environmental Protection

Section 161. In this section the United States and Palau declare their policy to protect the environment and enrich understanding of the natural resources of Palau.

Section 162. In this section the United States and Palau agree that with respect to U.S. activities, and equivalent activities by

Palau, each government shall be bound by mutually agreed environmental protection standards.

Section 163. In this section the United States agrees to apply environmental standards similar to those in effect prior to the effective date of the Compact to any activity requiring an Environmental Impact Statement under the National Environmental Policy Act (42 U.S.C. 4231) if such activity took place within the United States. The United States also agrees to develop the necessary regulations and procedures regarding such activities in a manner appropriate to the special governmental relationship set forth in the Compact and to provide Palau with the opportunity to comment on such regulations and procedures. Palau agrees to develop and enforce regulations and procedures to protect the environment which are similar to those of the National Environmental Policy Act (NEPA) and apply them to activities which are equivalent to the activities conducted by the United States. However, these regulations and procedures may be modified or superseded by agreement of the United States and Palau. The section also provides that disputes arising under this article, except as described below, shall be resolved in accordance with the dispute resolution procedures of the Compact, not in the courts.

Finally the President of the United States may, after consultation with Palau, exempt federal agencies from compliance with these standards if it is determined to be in the "paramount interest" of the U.S., consistent with Title Three of the Compact (Security and Defense) and with U.S. obligations under international law.

Article VII, General Legal Provisions

Section 171. Because the United States has extended U.S. laws to the Trust Territory of the Pacific Islands only by virtue of the Trusteeship Agreement, with the exception of laws of general extraterritorial applicability, this section operates to terminate the application to Palau of any laws of the United States whenever made applicable to the Trust Territory of the Pacific Islands or any part thereof, unless they are specifically made applicable by the Compact or are of general extraterritorial applicability and except as otherwise provided.

Section 172. This section provides that citizens of Palau not residing in the United States shall be entitled to the same rights and privileges as any other non-resident aliens and that they shall be treated as "persons" within the meaning of the administrative Procedures Act and of the Freedom of Information Act. It should also be noted that a United States citizen who becomes a citizen of Palau and who does not renounce his United States citizenship would retain his United States citizenship and continue to be entitled to the same rights and privileges as any other United States citizen.

Section 173. The United States and Palau undertake positive obligations to protect the programs, personnel, property and facilities of the other which are connected with public and official functions specified in the Compact or its related agreements.

Section 174. Subsections (a) and (d), taken together, provide that the Palau government will be immune from jurisdiction of the courts of the United States, and vice versa, except when the defendant government is sued in connection with commercial activities, personal injury, death or damage to or loss of property which occurred after the effective date of the Compact.

Subsections (b) and (c) of this section set forth the procedure for payment of claims against the Trust Territory Government or the United States arising from acts or omissions of either such government prior to the effective date of the Compact. All unpaid judgments against the Trust Territory Government or the United States entered prior to the effective date of the Compact, or settlements reached, will be paid by the United States. All Claims against the Trust Territory or United States which are not resolved prior to the effective date of the Compact or which arise afterwards, will be adjudicated in the courts of Palau, but any judgment of those courts will be presented for certification to the United States Court of Appeals for the Federal Circuit which shall order payment of such judgment, unless it is manifestly erroneous in law or fact, or is manifestly excessive. In this latter situation, that court shall have jurisdiction to modify the judgment.

Section 175. This section provides for the negotiation of separate agreements regarding extradition, mutual assistance in law enforcement and transfer or prisoners. These agreements shall have the force of law and shall be similar to arrangements which the United States has with other nations.

Section 176. This section preserves judgments established in civil litigation during the Trusteeship by the courts of the Trust Territory, subject to the power of the courts of Palau derived from their respective constitutions to modify judgments in appropriate cases.

Section 177. This section enables Federal agencies providing services and programs in Palau to settle and pay tort claims arising from their activities in Palau pursuant to the administrative procedures set forth at 28 U.S.C. 2672. Claims not resolved through that procedure will be referred to arbitration under the conference and dispute resolution process set forth in Title Four, Article II, of the Compact. In both cases, payment shall be made purusant to 31 U.S.C. 1304. The United States will be immune from suits based on claims covered by the provisions of Section 174(d).

TITLE TWO

ECONOMIC RELATIONS

Article I, Grant Assistance

Section 211. This section sets forth the basic grant assistance constituting the economic foundation of free association. The fundamental concept underlying the grant assistance is that Palau will be provided with resources to implement development programs and provide public services appropriate to conditions and needs as determined by Palau. Grants funds will be provided in the first 15 years to establish an account for govenment operations and maintenance; including specific amounts for energy production, communications, maritime surveillance, health, and scholarship. Grant funds will also be provided to capitalize a Palau National Fund to be invested by Palau in issues of bonds, notes or other instruments of the United States or other instruments which may be mutually agreed to. Sums derived from the fund shall not be taxable by the United States or its subdivisions. Furthermore, the United States and Palau shall set forth in a separate agreement, provisions for investment, management and review of the Fund so as to allow for minimum annual distributions of principal and interest for 50 years. The objective is to produce an average annual distribution of $15 million from the 15th to the 50th years following enactment of the Compact.

In order to enable Palau to undertake development programs at the outset of free association, grant assistance is structured to "front-end load" specific grant funding in the first 15 years, while also capitalizing a fund to meet less defind needs beyond 15 years. Thus, as direct grant assistance is reduced during the first 15 year period the Palau National Fund is making an increasing contribution of funds.

Section 212. In this section the U.S. agrees to assist Palau in its economic development efforts by providing a road system on the largest island in Palau by the end of the sixth year and by providing a one-time payment of $36 million for capital account purposes.

Section 213. Under this section, $5.5 million is made available to Palau which, in using the funds, shall take into account the impact of U.S. activities in Palau in conjunction with Defense Sites and Operating Rights (Title III, Article II). It is anticipated that these funds will be invested in consolidation with the Palau National Fund.

Sections 214-215. These sections provide for the carryover of Trust Territory funds previously appropriated for the use of Palau and for an inflation adjustment of the current account, capital account, energy production, and communications grants.

Article II, Program Assistance

Section 221. While Palau will fund the basic functions of government from grant assistance revenues, performance of certain activities may be beyond the technical capability of the new governments at the outset of free association. Thus, the United States has agreed in Section 221(a) to continue to provide services of the United States Weather Service, the United States Postal Service, the Federal Aviation Administration and the Civil Aeronautics Board. Enactment of Section 221(a) by Congress provides the legislative authority for provision of these services. The specific arrangements for provisions of these services are set forth in a separate agreement. The United States commitment is expressly limited to continuation of the services specified at levels equivalent to the last year prior to the effective date of the Compact. This will establish a ceiling on the nature and extent of United States programs.

Subsection (b) provides grant funding, coupled with the scholarship and health service funding set forth in Section 211 which will enable Palau to augment expenditures in education and health services and tailor such activities to Palau's needs.

Subsection (c) provides that alternate energy development programs which were extended to the Trust Territory will continue after the effective date of the Compact and be available to Palau subject to the purposes and duration set forth in United States law.

These programs will continue to be provided by the present agencies through appropriations made to those agencies pursuant to current authorizations but after consultation with the Secretary of the Interior and subject to his supervision.

Subsection (d) defines U.S. authority implementing program assistance.

Section 222. Under this section, U.S. Government agencies which have statutory authority to provide technical assistance on an intergovernmental or international basis, or to territories or possessions of the United States, will be able to provide such technical assistance to Palau upon request. In light of the free association relationship, Palau's requests for technical assistance will be given priority consideration over requests of other nations eligible for such assistance. Pursuant to Sections 105(a) and (l) of Public Law 99-239 as made applicable to Palau under Section 102 of this resolution, such technical assistance is subject to the standards and criteria as normally apply to such assistance when made domestically and the agencies are authorized to provide such assistance to the extent such assistance could be provided to States or territories. The intent is to avoid agencies looking to whether they can provide such assistance to foreign governments or what limitations would apply to such assistance. Funds to provide technical assistance would come from the agency's normal budget process and assistance is to be provided, consistent with Section 105(b), after consultation with and under the supervision of the Secretary of the Interior.

Section 223. This section ensures that those Trust Territory students embarked upon a course of study at a U.S. accredited postsecondary institution and who receive Federal student financial assistance will be able to continue to receive such assistance for the duration of the individual academic programs up to 4 years following the effective date of the Compact.

Section 224. This section provides that the United States and Palau may agree on the extension of Federal programs, assistance, or services to Palau in addition to those specified in the Compact. While the grant assistance and services provided by Title Two constitute a negotiated and agreed package, this section enables the United States and Palau to adjust to changing conditions and needs by establishing such additional programs as may be authorized by U.S. law.

Article III, Administrative Provisions

Section 231. This section calls for Palau to establish an Official Development Plan and Palau agrees that grant amounts specified in Article I of Title II shall be expended in accordance with such Plan. The Plan is to be promulgated by Palau and concurred in by the United States prior to the effective date of the Compact. This section recognizes that achieving the goals of the Plan depends upon the availability of both U.S. grant assistance and local revenue which may be affected by exceptional economic circumstances. Therefore, Palau agrees to report annually to the U.S. President and Congress on the implementation of the Plan and the use of U.S. funds. This report shall outline achievements of the Plan and needs, if any, for additional U.S. assistance to account for exceptional economic circumstances. The availability of such additional assistance shall be subject to Congressional authorization and appropriation.

Section 232. This section provides that the program assistance to be made available under Section 221 be defined in separate agreements. The levels and duration of such assistance, and the legal parameters within which Federal agencies will operate—including the legal status of their employees, payment of claims, entry and departure of employees and other similar matters—are dealt with in the agreement negotiated pursuant to this section. Under that agreement, federal agency civilian employees will enjoy certain privileges, exemptions and limited immunity from Palau laws, including tax laws, and federal agencies are assured the operational freedom necessary to carry out their responsibilities.

Section 233. This section authorizes the United States to conduct audits of grant and program assistance provided to Palau under Title Two. These audits will enable the United States to determine if Palau has met the requirements set forth in the Compact and its separate agreements regarding the purposes for which funds and program assistance are to be used and the propriety of their financial transactions. The procedures for conduct of the audits will be the subject of consultation to ensure that institutional integrity is preserved, and that the United States will have full access to financial information relating to Compact funding. The procedures for conducting the audit and obtaining annual reports and other financial information as required by the Compact are the subject of a separate agreement on fiscal procedures abetween the United States and Palau.

Section 234. This section provides for the transfer to Palau at no cost, United States property located in the trust territory for which there is no continuing U.S. need. This transfer process is largely complete. Transfer of federal property began in the Trust Territory in 1980, pursuant to Section 402 of United States Public Law 96-597.

Section 235. During the Trusteenship, trust funds have been established for the benefit of various groups of Trust Territory citizens. This section provides for appointment by the United States of a new trustee to replace the High Commissioner as trustee of such funds, so that the initial legislative intent in creating the funds can be carried out. The United States also agrees to carry out such functions of government formerly exercised by the High Commissioner as are necessary to implement the provisions of a particular trust. For instance, the High Commissioner is currently required to make certain determinations and exercise certain administrative functions in connection with trust funds. Under the Compact, this will be undertaken by the United States.

Section 236. This section pledges the full faith and credit of the United States for payment of the amounts provided for under Articles I and III of Title Two. This pledge is intended to create an enforceable obligation of the United States to pay the amounts provided for in Articles I and III. While this obligation will be discharged in the same manner as other financial obligations incurred through international agreements requiring an act of appropriation, Palau is provided with a judicial remedy before the United

States Claims Court in the event payments owing under the Compact are not made. Because the Compact will be both an international agreement and public law, this is a valid grant of jurisdiction which contains as express exception for Palau from the restriction contained in 28 U.S.C. 1502 relating to actions arising from treaties with foreign nations. Any judgments resulting from an action by Palau under this section would be paid under 31 U.S.C. 1304.

Article IV, Trade

Sections 241-243. These sections provide that Palau will not be within the customs territory of the United States and, subject to the limitations of Title 5 of the Trade Act of 1974, articles imported from Palau shall be duty free, except: watches, buttons, textiles, footwear, handbags, luggage and canned tuna, when canned tuna imports from FSM, RMI and Palau total more than 10 percent of United States consumption of tuna during the previous calendar year. These articles not exempt from duty shall be entitled to generally applicable most favored treatment. Palau agrees that United States products imported into Palau shall receive treatment no less favorable than accorded products of any foreign country. Finally the cost or value of materials produced in the United States and included in a product of materials produced in the United States and included in a product of Palau, may be applied for duty assessment purposes under Title V of the Trade Act of 1974.

Article V, Finance and Taxation

Section 251. This section establishes U.S. currency as the legal tender of Palau, but gives Palau the option to issue its own currency; in which case appropriate transitional arrangements would be agreed upon.

Section 252. This section recognizes the jurisdiction of Palau to tax any United States persons income which is derived from Palau sources, and applies U.S. tax laws to determine income source.

Section 253. All Palau citizens domiciled in Palau will be exempt from U.S. estate, gift and generation-skipping transfer taxes.

Section 254. This section recognizes the authority of Palau to impose income taxes on residents of Palau for their income both within and outside of Palau. However, if Palau taxes a resident's income which is also subject to U.S. taxation, the resident shall be relieved of tax liabiltiy to the United States in so much as "relieved" is defined to mean a foreign tax credit or an exclusion under Section 911 of the Internal Revenue Code.

Section 255. This Section provides tax incentives for investments by corporations. The tax incentives provided, Section 936 of the United States Internal Revenue Code, are applicable to possessions of the United States and designed to generate United States investment in developing areas that enjoy a special relationship with the United States. These incentives, will apply to Palau to the extent not in conflict with sections 253 and 254. If the provisions of the Internal Revenue Code applicable to Palau under this Section are amended, then alternative but equivalently beneficial tax arrangements will be negotiated by the Secretary of the Treasury or by arbitration under Section 424. However, these benefits will not be extended if Palau has not agreed to an exchange of tax information with the United States.

Section 256. This section gives an effective date to Article V of September 30, 1985.

TITLE THREE

SECURITY AND DEFENSE RELATIONS

Article I, Authority and Responsibility

Sections 311–312. These sections establish the full authority and responsibility of the United States for security and defense matters in or relating to Palau. This U.S. authority and responsibility includes the foreclosure of any third country access to Palau for military purposes. Also, the United States may conduct operations necessary for the exercise of its authority and may invite the armed forces of other nations to use U.S. areas and facilities in Palau in conjunction with and under the control of the United States.

Section 313. To ensure that the actions of Palau do not impair the ability of the United States to exercise its authority and fulfill its responsibility in security and defense matters, Palau agrees to refrain from actions which the United States determines to be incompatible with the United States security and defense role defined in the Compact. The purpose of this provision is to preserve the allocation of authority and responsibility for domestic and foreign affairs to Palau, and for security and defense to the United States.

Article II, Defense Facilities and Operating Rights

Section 321. This section provides for a separate agreement to be concluded between the United States and Palau for the establishment and use of military areas in Palau in connection with United States security and defense authority and responsibility.

Section 322. This section sets forth the framework for agreement between the United States and Palau on military areas and facilities should they be required in the future: For sites not specifically designed in the Section 321 agreement, Palau shall make the new designated site or an alternative available to the United States. Finally, this section recognizes that the U.S. compensation for defense sites is provided by Title II of the Compact.

Section 323. This section provides for a separate agreement to be concluded between the United States and Palau setting forth the military operating rights of the United States, the legal status and contractual arrangements of U.S. armed forces members and associated civilians.

Section 324. In this section the United States agrees not to use, test, store or dispose of nuclear, toxic chemical, gas or biological weapons intended for use in warfare and Palau assures the United States of its right to operate nuclear capable or nuclear propelled vessels and aircraft within the jurisdiction of Palau without either confirming or denying the presence or absence of such weapons within the jurisdiction of Palau.

This section was included to conform the Compact to a provision of the Palau Constitution which prohibits the testing, storage or disposal of nuclear, toxic chemical, gas or biological weaspons. It resolves any conflict between the Constitution and the U.S. security responsibility by clarifying that the operation of nuclear capable or nuclear propelled vessels or aircraft is not "testing, storing or disposing" of nuclear weapons.

Article III, Defense Treaties and International Security Agreements

Section 331. In keeping with U.S. responsibility and authority for security and defense matters in Palua, this section provides that security and defense agreements or treaties to which the United States is a party, and which have applied to the Trust Territory during the Trusteeship, will continue in force and be applied by the United States in the exercise of its security and defense role in Palau. In addition, the United States retains the authority to extend to Palau any security or defense agreements or treaties it may determine to be applicable, after appropriate consultation with Palau. This arrangement is necessary in light of United States treaty obligations in the region.

Article IV, Service in the Armed Forces

Sections 341–342. Palau citizens will be entitled under these sections to serve voluntarily in the armed forces of the United States, but cannot involuntarily be inducted into such service unless habitual residence in the United States is established. In addition, upon nomination by their governments and if otherwise qualified, citizens will be enrolled in the United State Coast Academy and in the United States Merchant Marine Academy. The service and training available in the armed forces and the designated academies will provide educational opportunities not available in Palau.

Article V, General Provisions

Section 351. Under this section, a joint committee is established for the purpose of resolving disputes arising from implementation of Title Three and the separate agreements concluded pursuant to sections within Title Three. The senior U.S. military commander in the Pacific will represent the United States and Palau will designate appropriate senior officials as representatives. The purpose of the Joint Committee is to provide a forum for consultation regarding issues related to Title Three. Any matter which the Committee cannot resolve is referred back to the governments concerned for resolution. Palau may also raise the matter with the Secretary of Defense, if desired. It is comtemplated that the Joint Committee system will enable Palau and the United States to consult, and by consensus resolve problems arising under Title Three.

Section 352. This section contains a U.S. assurance that in fulfilling its security and defense role, and in making the specific determinations incident to its authority under Title Three of the Compact, the United States will accord due respect to the authority and responsibility of Palau as defined in the Compact. Furthermore, the United States and Palau agree, in this section, that U.S. authority and responsibility under Title III are for the mutual security and benefit of the United States and Palau and that any attack on Palau would constitute a regional threat and a danger to the

United States. In such event the United States would take action to meet the danger in accordance with its constitutional processes.

Section 353. Under this provision, the United States agreed not to include Palau in a formal declaration of war without the consent of Palau.

In the absence of Palau's consent to be named in a declaration of war, this section preserves claims of Palau's citizens arising from armed conflict. Claims will be preserved under this provision which are in the form of petitions for redress to the Government of the United States, and in the case of third countries all types of claims will be unimpaired by this section. Where Palau citizens petition the United States for redress under this section, their claims will be treated as if they were the claims of United States citizens.

TITLE FOUR

GENERAL PROVISIONS

Article I, Approval and Effective Date

Section 411. Under these sections there is established a three-step process for approval and entry into force of the Compact. This process includes approval by the Palau government in accordance with their constitutional processes and approval of the Compact by the people of Palau in a referendum.

The approval process also requires approval of the Compact by the United States, and agreement between the United States and Palau on its effective date.

Article II, Conference and Dispute Resolution

Sections 421-424. These sections establish the method for settlement of disputes arising in connection with the implementation and enforcement of the provisions of the Compact except for matters arising out of Title Three, which will be handled as provided for in Section 351. The procedure for dispute resolution requires that upon notification of a dispute, the parties confer on the matter. After a 90-day period, if the issue has not been resolved, the matter is referred to a three-person Arbitration Board consisting of one member appointed by each of the parties and a chairman jointly appointed by the parties or selected by lot from standing lists if mutual agreement cannot be reached. Decisions will be by majority vote and shall be binding on the parties unless it is agreed that the decision shall be advisory. The Board will also not have jurisdiction in matters arising under the representation provisions of Article V, Title One, and the general legal provisions of Article VII, Title One.

Article III, Amendment

Section 431-432. These sections provide for bilateral amendment of the Compact by mutual agreement of the parties. The sections also provide for a formal review of the terms of the Compact upon the 15th, 30th and 40th anniversaries of the effective date of the Compact.

Article IV, Termination

Sections 441-443. The Compact provides three avenues for its termination. Under Section 441, the Compact may be terminated by mutual agreement of the United States and Palau.

Section 442 provides for unilateral termination by the United States, in which case 6 months notice is required. Unilateral termination by Palau is provided for in Section 443, which requires Palau to conduct a plebiscite on termination in accordance with its constitutional processes. A majority vote in favor of termination is required for termination to occur. The plebiscite can be conducted only upon 3 months' prior notice to the United States, and termination pursuant to an affirmative vote to end the agreement would not become effective until at least 3 months after certification of the results to the United States and notification that termination will occur.

Article V, Survivability

Sections 451-452. These sections identify which portions of the Compact would survive, and for how long, under the different termination procedures described in Article IV of Title Four.

Should the Compact be terminated by mutual agreement pursuant to Section 441, the continuation of economic relations between the United States and Palau would be as mutually agreed.

Should termination occur at United States or Palau initiative under Sections 442 or 443, provisions of the Compact relating to the following subjects would remain in effect until the fiftieth anniversary of the effective date of the Compact, or longer if mutually agreed: grant assistance, audits, security and defense relations, dispute resolution, amendment, survivability and definitions of terms.

Section 453. This section provides that notwithstanding any other provision of the Compact: the provisions of Sections 311 (foreclosure of Palau territory to military forces other than those of the United States) shall remain in effect for fifty years and thereafter until terminated: the agreements of Article II, Title 3 (Defense Facilities and Operating Rights) shall remain in effect according to their terms; and the U.S. reaffirms its interest in promoting economic advancement and self-sufficiency for the people of Palau.

Section 454. Under this section, any provision remaining in effect under Section 452 shall be implemented as prior to any termination pursuant to Section 442 or 443.

Article VI, Definition of Terms

Sections 461-462. These sections define various terms used in the Compact, and list the separate agreements concluded pursuant to the Compact.

Article VII, Concluding Provisions

Section 471. Under this section, all signatory governments agree that they are authorized by their constitutions and laws to enter into and implement the Compact and its related agreements. Paragraph (b) provides that Palau and the United States will conform their laws to the Compact prior to its effective date, so that they will be able to implement the Compact in a manner consistent with their domestic laws. Paragraph (c) of this section provides that the Compact will have the force and effect of a statute under the laws of the United States.

Section 472. This section provides for acceptance of the Compact by the signature of each government party to the agreement.

Following the text of the Compact, Section 202 of Title II provides for court jurisdiction under the Compact. This section provides that for citizens, nationals and aliens lawfully admitted to the United States who are in Palau, the defense sites of the United States established in Palau are within the special maritime and territorial jurisdiction of the United States as set forth in Title 18 of the United States Code. This section also provides that such persons who, within or upon such defense sites, are guilty of any act or omission which would be punishable in Guam, shall be guilty of such act or omission and subject to like punishment. The District Court of Guam shall have jurisdiction to try all criminal offenses against the United States, including the laws of Guam made applicable to defense sites in Palau, and the District Court of Guam may appoint one or more magistrates, whose powers are defined by Section 202, for defense sites of the United States in Palau.

COST AND BUDGETARY CONSIDERATIONS

In compliance with paragraph 11(a) of Rule XXVI of the Standing Rules of the Senate, the following estimate of the cost of this measure has been provided by the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, August 13, 1986.

Hon. JAMES A. MCCLURE,
Chairman, Committee on Energy and Natural Resources, U.S. Senate, Dirksen Senate Office Building, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for S.J. Res. 325, a joint resolution to approve the "Compact of Free Association" between the United States and Palau, and for other purposes.

If you wish further details on this estimate, we will be pleased to provide them.

With best wishes,
Sincerely,

RUDOLPH G. PENNER, *Director.*

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Resolution number: S.J. Res. 325.
2. Resolution title: A joint resolution to approve the "Compact of Free Association" between the United States and Palau, and for other purposes.
3. Resolution status: As ordered reported by the Senate Committee on Energy and Natural Resources, July 30, 1986.
4. Resolution purpose: The resolution approves the Compact of Free Association that has been signed by the United States and the Republic of Palau. The text of the compact, which terminates the United States' trusteeship of the Trust Territory of the Pacific Is-

lands and establishes the Republic of Palau, is contained in Title II of the resolution. Title Two of the compact lists the amounts and purposes of the grants that the United States will provide to Palau and includes various trade and tax provisions. Title Three defines the roles of the U.S. government and the government of Palau in defense matters, and Title Four provides rules for approving, amending, and terminating the compact.

Title I of S.J. Res. 325 authorizes the U.S. government to provide certain grants and services to Palau in addition to those provided by the compact.

5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

	1987	1988	1989	1990	1991
Full faith and credit—Permanent spending authority:					
Estimated budget authority [1]	170	20	25	20	20
Estimated outlays	140	30	35	30	20
Authorizations subject to appropriations action:					
Estimated authorization level	[2] 30	15	10	5	5
Estimated outlays	30	15	10	5	25
Spending reductions from termination of current trust territory authorization: [3]					
Estimated authorization level	−15	−15	−20	−20	−20
Estimated outlays	−15	−15	−20	−20	−20
Net budget effect of S.J. Res. 325:					
Estimated budget authority/authorization level	185	20	15	5	25
Estimated outlays	155	30	25	15	25

[1] Public Law 99-349, the Urgent Supplemental Appropriations Bill, 1986, includes a permanent appropriation for such sums as necessary to fund amounts that may be authorized upon enactment of S.J. Res. 325 or similar legislation.

[2] Public Law 99-349 provides an appropriation for Palau of $9.34 million, which will become available for these purposes upon enactment of S.J. Res. 325 or similar legislation.

[3] These amounts reflect CBO's baseline estimate of payments to Palau through the Trust Territory appropriation and other grant programs. Under current law, grant programs for Palau are authorized indefinitely and without limitation, and the amounts are set through annual appropriations. Because the compact changes the relationship between the United States and Palau, the existing authorizations for payments to Palau would expire upon the effective date of this resolution (assumed to be October 1, 1986,) except that the Trust Territory authorization (48 U.S.C. 1681, note) would continue for transition purposes only (Section 102(b) of the resolution). Except for the transition purposes authorized by Section 104(c) of S.J. Res. 325, CBO assumes that no amounts will be appropriated under this continuing authorization.

The costs of this bill fall within budget function 800.

Basis of estimate: The potential budget effects of S.J. Res. 325 would result from the grants and services the United States is agreeing to provide to Palau. According to Section 236 of the compact, approval of the compact constitutes a pledge of the full faith and credit of the United States for full payment of the amounts specified for most of the grants (those listed in Article I of Title Two of the compact), with the obligations enforceable in the United States Court of Claims.

The largest increases relative to the CBO baseline projections for Palau under current law include a $66 million grant required for the establishment of a trust fund and about $80 million for capital projects, both assumed to be provided in 1987. In addition, the resolution includes an authorization for an estimated $12 million in 1987, $8 million in 1988, and $4 million in 1989 for transitional payments for programs not otherwise authorized by the compact.

The trade and tax provisions in the compact are estimated to have no significant budgetary effects.

6. Estimated cost to State and local governments: Enactment of this legislation would result in no significant cost to the government of Palau, and in no cost to state or local governments.

7. Estimate comparison: None.

8. Previous CBO estimate: On June 5, 1985, CBO transmitted to the House Committee on Foreign Affairs a cost estimate for H.J. Res. 187, a joint resolution to approve the Compact of Free Association between the United States and the Marshall Islands and the Federated States of Micronesia and to approve the Compact of Free Association between the United States and Palau.

On June 25, 1986, CBO transmitted to the House Committee on Foreign Affairs a cost estimate for H.J. Res. 626, the Palau Compact of Free Association, as ordered reported by the House Committee on Foreign Affairs, June 5, 1986.

On July 16, 1986, CBO transmitted to the House Committee on Interior and Insular Affairs a cost estimate for H.J. Res. 626, the Palau Compact of Free Association, as ordered reported by the House Committee on Interior and Insular Affairs, June 25, 1986. The estimate for the Committee on Interior and Insular Affairs shows higher spending than the estimate for the Committee on Foreign Affairs because of provisions regarding transitional payments and a pledge of full faith and credit for additional payments authorized by Public Law 99-239.

This estimate for the Senate Committee on Energy and Natural Resources shows lower spending than the estimate for the Committee on Interior and Insular affairs, because the Interior Committee version applies the pledge of full faith and credit to $10 million for the Marshall Islands, but S.J. Res. 325 does not.

9. Estimate prepared by: James Hearn.

10. Estimate approved by: C.G. Nuckols (for James L. Blum, Assistant Director for Budget Analysis).

REGULATORY IMPACT EVALUATION

In compliance with paragraph 11(b) of Rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact which would be incurred on the passage of S.J. Res. 325.

It is the Committee's expressed opinion that the bill is not a regulatory measure in the sense of imposing Government-established standards of significant responsibilities on private individuals or businesses. It also is the Committee's opinion that little, if any, additional paperwork would result from enactment of S.J. Res. 325.

EXECUTIVE COMMUNICATIONS

The pertinent documents submitted by the President transmitting S.J. Res. 325 are as follows:

To the Congress of the United States:

There is enclosed a draft of a Joint Resolution to approve the "Compact of Free Association," the negotiated instrument setting forth the future political relationship between the United States and Palau, a political jurisdiction of the Trust Territory of the Pacific Islands.

This Compact of Free Association is the result of more than sixteen years of continuous and comprehensive negotiations, spanning the administrations of four Presidents. The transmission of the proposed Joint Resolution today, and congressional enactment of it, marks the last step in the process for approval of the Compact.

The full text of the Compact is part of the draft Joint Resolution, which I request be introduced, referred to the appropriate committees, and enacted. I also request that the Congress note the agreements subsidiary to the Compact. Also enclosed is a section-by-section analysis to facilitate your consideration of the Compact.

On March 30, 1984, and again on February 20, 1985, I submitted to Congress a Compact of Free Association relating to the Marshall Islands and the Federated States of Micronesia, two other jurisdictions of the Trust Territory. That Compact was approved as House Joint Resolution 187 by Congress on December 13, 1985, and with my signature on January 14, 1986, became Public Law 99-239. The people of the fourth jurisdiction of the Trust Territory—the Northern Mariana Islands—have voted to become a United States territory when the trusteeship is terminated. The Congress approved their political status instrument as Public Law 94-241.

The defense and land use provisions of the Compact with Palau, and the right of the United States to foreclose access to the area for military purposes of third countries, are of great importance to our strategic position in the Pacific and enable us to continue preserving regional security and peace. Under the Palau Compact, the minimum term of United States defense authority and responsibility will be fifty years; otherwise, the Palau Compact is very similar to the Compact that the Congress approved for the Marshall Islands and the Federated States of Micronesia.

For almost four decades, the Trust Territory has been administered under a Tusteeship Agreement with the United Nations Security Council, which the United States entered into pursuant to the Joint Resolution of July 18, 1947. This Compact of Free Association with the government of Palau fulfills our commitment under that Agreement to bring about self-government in accordance with the freely expressed wishes of the Palauan people. Termination of the Tursteeship Agreement and the formal assumption of freely chosen political status arrangements by all parts of the present Trust Territory are important foreign policy objectives of the United States.

The Compact with Palau was signed for the United States by Ambassador Fred M. Zeder II and the President of the Republic of Palau on January 10, 1986. It was approved on January 24, 1986, by both houses of the Palau National Congress. On February 21, 1986, the Compact was approved by the Palauan people in a United Nations observed plebiscite. The President of Palau has certified that the approval process has been completed in full compliance with Palau's constitutional requirements.

Enactment of this draft Joint Resolution approving the Compact of Free Association for Palau will complete the enterprise of self-government we began with the peoples of the Trust Territory many years ago. It is the final step preceding full termination of the

Trusteeship Agreement. Therefore, I urge the Congress to approve the Compact of Free Association for Palau.

RONALD REAGAN.

THE WHITE HOUSE, *April 9, 1986.*

COMPACT OF FREE ASSOCIATION

COMPACT OF FREE ASSOCIATION

Table of Contents

PREAMBLE iii

TITLE ONE GOVERNMENT RELATIONS 1-1 to 1-15

Article I....Self-government...................1-1

Article II...Foreign Affairs...................1-2 to 1-3

Article III..Communications....................1-4 to 1-5

Article IV...Immigration.......................1-6 to 1-7

Article V....Representation....................1-8 to 1-9

Article VI...Environmental Protection..........1-10 to 1-11

Article VII..General Legal Provisions..........1-12 to 1-15

TITLE TWO ECONOMIC RELATIONS 2-1 to 2-12

Article I....Grant Assistance..................2-1 to 2-3

Article II...Program Assistance................2-4 to 2-5

Article III..Administrative Provisions.........2-6 to 2-7

Article IV...Trade.............................2-8 to 2-9

Article V....Finance and Taxation..............2-10 to 2-12

TITLE THREE SECURITY AND DEFENSE RELATIONS 3-1 to 3-7

Article I....Authority and Responsibility......3-1

Article II...Defense Sites and Operating Rights..................3-2 to 3-3

Article III..Defense Treaties and International Security Agreements........................3-4

Article IV...Service in the Armed Forces of the United States.......3-5

Article V....General Provisions................3-6 to 3-7

TITLE FOUR GENERAL PROVISIONS 4-1 to 4-10

Article I....Approval and Effective Date.......4-1

Article II...Conference and Dispute Resolution.........................4-2 to 4-3

Article III..Amendment and Review..............4-4

Article IV...Termination.......................4-5

Article V....Survivability.....................4-6

Article VI...Definition of Terms...............4-7 to 4-9

Article VII..Concluding Provisions.............4-10

PREAMBLE

THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND
THE GOVERNMENT OF PALAU

Affirming that their Governments and the relationship between their Governments are founded upon respect for human rights and fundamental freedoms for all; and

Affirming the common interest of the United States of America and the people of Palau in creating close and mutually beneficial relationships through a free and voluntary association of their Governments; and

Affirming the interest of the Government of the United States in promoting the economic advancement and self-sufficiency of the people of Palau; and

Recognizing that their previous relationship has been based upon the International Trusteeship System of the United Nations Charter; and that pursuant to Article 76 of the Charter, the people of Palau have progressively developed their institutions of self-government, and that in the exercise of their sovereign right to self-determination they have, through their freely-expressed wishes, adopted a Constitution appropriate to their particular circumstances; and

Recognizing their common desire to terminate the Trusteeship and establish a new government-to-government relationship in accordance with a new political status based on the freely-expressed wishes of the people of Palau and appropriate to their particular circumstances; and

Recognizing that the people of Palau have and retain their sovereignty and their sovereign right to self-determination and the inherent right to adopt and amend their own Constitution and form of government and that the approval of the entry of their Government into this Compact of Free Association by the people of Palau constitutes an exercise of their sovereign right to self-determination;

NOW, THEREFORE, AGREE to enter into a relationship of free association which provides a full measure of self-government for the people of Palau; and

FURTHER AGREE that the relationship of free association derives from and is as set forth in this Compact; and that, during such relationships of free association, the respective rights and responsibilities of the Government of the United States and the Government of the freely associated state of Palau in regard to this relationship of free association derives from and is as set forth in this Compact.

TITLE ONE

GOVERNMENT RELATIONS

Article I

Self-government

Section 111

The people of Palau, acting through their duly elected government established under their constitution, are self-governing.

Article II

Foreign Affairs

Section 121

(a) The Republic of Palau has the capacity to conduct foreign affairs in its own name and right, except as otherwise provided in this Compact and the Government of the United States recognizes that the Government of Palau, in the exercise of this capacity, may enter into, in its own name and right, treaties and other international agreements with governments and regional and international organizations.

(b) In the conduct of its foreign affairs the Government of Palau confirms that it shall act in accordance with principles of international law and shall settle its international disputes by peaceful means.

Section 122

The Government of the United States shall support application by the Government of Palau for membership or other participation in regional or international organizations as may be mutually agreed. The Government of the United States agrees to accept citizens of Palau for training and instruction at the United States Foreign Service Institute, established under 22 U.S.C. 4021, or similar training under terms and conditions to be mutually agreed.

Section 123

In recognition of the authority and responsibility of the Government of the United States under Title Three, the Government of Palau shall consult with the Government of the United States. The Government of the United States, in the conduct of its foreign affairs, shall consult with the Government of Palau on matters which the Government of the United States regards as relating to or affecting the Government of Palau, and shall provide, on a regular basis, information on regional foreign policy matters.

Section 124

(a) The Government of Palau has authority to conduct its foreign affairs relating to law of the sea and marine resources matters, including the harvesting, conservation, exploration or exploitation of living and nonliving resources from the sea, seabed or subsoil to the full extent recognized under international law.

(b) The Government of Palau has jurisdiction and sovereignty over its territory, including its land and internal waters, territorial seas, the airspace superjacent thereto only to the extent recognized under international law.

Section 125

Except as otherwise provided in this Compact or its related agreements, all obligations, responsibilities, rights and benefits of the Government of the United States as administering authority which have resulted from the application pursuant to the Trusteeship Agreement or any treaty or other international agreement to the Trust Territory of the Pacific Islands on the day preceding the effective date of this Compact are no longer assumed and enjoyed by the Government of the United States.

Section 126

The Government of the United States shall accept responsibility for those actions taken by the Government of Palau in the area of foreign affairs, only as may from time to time be expressly and mutually agreed.

Section 127

The Government of the United States may assist or act on behalf of the Government of Palau in the area of foreign affairs as may be requested and mutually agreed from time to time. The Government of the United States shall not be responsible to third parties for the actions of the Government of Palau undertaken with the assistance or through the agency of the Government of the United States pursuant to this Section unless expressly agreed.

Section 128

At the request of the Government of Palau and subject to the consent of the receiving state, the Government of the United States shall extend consular assistance on the same basis as for citizens of the United States to citizens of Palau for travel outside of Palau, the Marshall Islands, the Federated States of Micronesia, the United States and its territories and possessions.

Article III

Communications

Section 131

(a) The Government of Palau has full authority and responsibility to regulate its domestic and foreign communications, and the Government of the United States shall provide communication assistance in accordance with the terms of a related agreement which shall come into effect simultaneously with this Compact, and such agreement shall remain in effect until such time as any election is made pursuant to Section 131(b) and which shall provide for the following:

(1) the Government of the United States remains the sole administration entitled to make notification to the International Frequency Registration Board of the International Telecommunications Union of frequency assignments to radio communications stations in Palau; and to submit to the International Frequency Registration Board seasonal schedules for the broadcasting stations in Palau in the bands allocated exclusively to the broadcasting service between 5,950 and 26,100 kHz and in any other additional frequency bands that may be allocated to use by high frequency broadcasting stations; and

(2) the United States Federal Communications Commission has jurisdiction, pursuant to the Communications Act of 1934, 47 U.S.C. 151 *et. seq.*, and the Communications Satellite Act of 1962, 47 U.S.C. 721 *et. seq.*, over all domestic and foreign communications services furnished by means of satellite earth terminal stations where such stations are owned or operated by United States common carriers and are located in Palau.

(b) The Government of Palau may elect at any time to undertake the functions enumerated in Section 131(a) and previously performed by the Government of the United States. Upon such election, the Government of the United States shall so notify the International Frequency Registration Board and shall take such other actions as may be necessary to transfer to the Government of Palau the notification authority referred to in Section 131(a) and all rights deriving from the previous exercise of any such notification authority by the Government of the United States.

Section 132

The Government of Palau shall permit the Government of the United States to operate telecommunications services in Palau to the extent necessary to fulfill the obligations of the Government of the United States under this Compact in accordance with the terms of related agreements which shall come into effect simultaneously with this Compact.

Article IV

Immigration

Section 141

(a) Any person in the following categories may enter into, lawfully engage in occupations, and establish residence as a non-immigrant in the United States and its territories and possessions without regard to paragraphs (14), (20), and (26) of section 212(a) of the Immigration and Nationality Act, 8 U.S.C. 1182(a) (14), (20), and (26):

(1) a person who, on the day preceding the effective date of this Compact, is a citizen of the Trust Territory of the Pacific Islands, as defined in Title 53 of the Trust Territory Code in force on January 1, 1979, and has become a citizen of Palau;

(2) a person who acquires the citizenship of Palau, at birth, on or after the effective date of the Constitution of Palau; or

(3) a naturalized citizen of Palau, who has been an actual resident there for not less than five years after attaining such naturalization and who holds a certificate of actual residence.

Such persons shall be considered to have the permission of the Attorney General of the United States to accept employment in the United States.

(b) The right of such persons to establish habitual residence in a territory or possession of the United States may, however, be subjected to non-discriminatory limitations provided for:

(1) in statutes or regulations of the United States; or

(2) in those statutes or regulations of the territory or possession concerned which are authorized by the laws of the United States.

(c) Section 141(a) does not confer on a citizen of Palau, the right to establish the residence necessary for naturalization under the Immigration and Nationality Act, or to petition for benefits for alien relatives under that Act. Section 141(a), however, shall not prevent a citizen of Palau, from otherwise acquiring such rights or lawful permanent resident alien status in the United States.

Section 142

(a) Any citizen or national of the United States may enter into, lawfully engage in occupations, and reside in Palau, subject to the right of that Government to deny entry to or deport any such citizen or national as an undesirable alien. A citizen or national of the United States may establish habitual residence or domicile in Palau only in accordance with the laws of Palau. This subsection is without prejudice to the right of the Government of Palau to regulate occupations in Palau in a non-discriminatory manner.

(b) With respect to the subject matter of this Section, the Government of Palau shall accord to citizens and nationals of the United States treatment no less favorable than that accorded to citizens of other countries; any denial of entry to or deportation of a citizen or national of the United States as an undesirable alien must be pursuant to reasonable statutory grounds.

Section 143

(a) The privileges set forth in Section 141 shall not apply to any person who takes an affirmative step to preserve or acquire a citizenship or nationality other than that of Palau.

(b) Every person having the privileges set forth in Sections 141 and 142 who possesses a citizenship or nationality other than that of Palau or the United States ceases to have these privileges two years after the effective date of this Compact, or within six months after becoming 21 years of age, whichever comes later, unless such person executes an oath of renunciation of that other citizenship or nationality.

Section 144

(a) A citizen or national of the United States who, after notification to the Government of the United States of an intention to employ such person by the Government of Palau, commences employment with that Government shall not be deprived of his United States nationality pursuant to Section 349(a)(2) and (a)(4) of the Immigration and Nationality Act, 8 U.S.C. 1481 (a)(2) and (a)(4).

(b) Upon such notification by the Government of Palau, the Government of the United States may consult with or provide information to the notifying Government concerning the prospective employee, subject to the provisions of the Privacy Act, 5 U.S.C. 552a.

(c) The requirement of prior notification shall not apply to those citizens or nationals of the United States who are employed by the Government of Palau on the effective date of this Compact with respect to the positions held by them at that time.

Article V

Representation

Section 151

The Government of the United States and the Government of Palau may establish and maintain representative offices in the capitals of the other.

Section 152

(a) The premises of such representative offices, and their archives wherever located, shall be inviolable. The property and assets of such representative offices shall be immune from search, requisition, attachment and any form of seizure unless such immunity is expressly waived. Official communications in transit shall be inviolable and accorded the freedom and protections accorded by recognized principles of international law to official communications of a diplomatic mission.

(b) Persons designated by the sending Government may serve in the capacity of its resident representatives with the consent of the receiving Government. Such designated persons shall be immune from civil and criminal process relating to words spoken or written and all acts performed by them in their official capacity and falling within their functions as such representatives, except insofar as such immunity may be expressly waived by the sending Government. While serving in a resident representative capacity, such designated persons shall not be liable to arrest or detention pending trial, except in the case of a grave crime and pursuant to a decision by a competent judicial authority, and such persons shall enjoy immunity from seizure of personal property, immigration restrictions, and laws relating to alien registration, fingerprinting, and the registration of foreign agents.

(c) The sending Governments and their respective assets, income and other property shall be exempt from all direct taxes, except those direct taxes representing payment for specific goods and services, and shall be exempt from all customs duties and restrictions on the import or export of articles required for the official functions and personal use of their representatives and representative offices.

(d) Persons designated by the sending Government to serve in the capacity of its resident representatives shall enjoy the same taxation exemptions as are set forth in Article 34 of the Vienna Convention on Diplomatic Relations.

(e) The privileges, exemptions and immunities accorded under this Section are not for the personal benefit of the individuals concerned but are to safeguard the independent exercise of their official functions. Without prejudice to those privileges, exemptions and immunities, it is the duty of all such persons to respect the laws and regulations of the Government to which they are assigned.

Article VI

Environmental Protection

Section 161

The Government of the United States and the Government of Palau declare that it is their policy to promote efforts to prevent or eliminate damage to the environment and biosphere and to enrich understanding of the natural resources of Palau.

Section 162

The Government of the United States and the Government of Palau agree that with respect to the activities of the Government of the United States in Palau, and with respect to substantively equivalent activities of the Government of Palau, each of the Governments shall be bound by such environmental protection standards as may be mutually agreed for the purpose of carrying out the policy set forth in this Compact.

Section 163

In order to carry out the policy set forth in this Article, the Government of the United States and the Government of Palau agree to the following undertakings.

(a) The Government of the United States:

(1) shall apply environmental standards substantively similar to those in effect on the day preceding the effective date of this Compact to any activity requiring the preparation of an Environmental Impact Statement under the provisions of the National Environmental Policy Act of 1969, 83 Stat. 852, 42 U.S.C. 4321 et. seq.

(2) shall develop, prior to conducting any activity included within the category described in this Section, including regulations or other standards and procedures, to regulate such activity in Palau in a manner appropriate to the special governmental relationship set forth in this Compact. The Government of the United States shall provide the Government of Palau with the opportunity to comment formally during the development of such mechanisms.

(b) The Government of Palau shall develop standards and procedures to protect the environment of Palau. As a reciprocal obligation to the undertakings of the Government of the United States under this Article, the Government of Palau, taking into account the particular environment of Palau, shall develop standards for environmental protection substantively similar to those required of the Government of the United States by Section 163(a)(1) prior to conducting activities in Palau substantively equivalent to activities conducted there by the Government of the United States and, as a further reciprocal obligation, shall enforce those standards.

(c) Section 163(a), including any standard or procedure applicable thereunder, and Section 163(b) may be modified or superseded in whole or in part by agreement of the Government of the United States and the Government of Palau.

(d) Disputes arising under this Article, except for Section 163(e), shall be resolved exclusively in accordance with Article II of Title Four.

(e) The President of the United States may exempt any of the activities of the Government of the United States under this Compact and its related agreements from any environmental standard or procedure which may be applicable under this Article if the President determines it to be in the paramount interest of the Government of the United States to do so, consistent with Title Three of this Compact and the obligations of the Government of the United States under international law. Prior to any decision pursuant to this subsection, the views of the Government of Palau shall be sought and considered to the extent practicable. If the President grants such an exemption, to the extent practicable, a report with his reasons for granting such exemption shall be given promptly to the Government of Palau.

Article VII

General Legal Provisions

Section 171

Except as provided in this Compact or its related agreements, the application of the laws of the United States to the Trust Territory of the Pacific Islands by virtue of the Trusteeship Agreement ceases with respect to Palau as of the effective date of this Compact.

Section 172

(a) Every citizen of Palau who is not a resident of the United States shall enjoy the rights and remedies under the laws of the United States enjoyed by any nonresident alien.

(b) The Government and every citizen of Palau shall be considered a "person" within the meaning of the Freedom of Information Act, 5 U.S.C. 552, and of the judicial review provisions of the Administrative Procedure Act, 5 U.S.C. 701-706.

Section 173

The Government of the United States and the Government of Palau, agree to adopt and enforce such measures, consistent with this Compact and its related agreements, as may be necessary to protect the personnel, property, installations, services, programs and official archives and documents maintained by the Government of the United States in Palau pursuant to this Compact and its related agreements and by that Government in the United States pursuant to this Compact and its related agreements.

Section 174

Except as otherwise provided in this Compact and its related agreements:

(a) The Government of Palau shall be immune from the jurisdiction of the courts of the United States, and the Government of the United States shall be immune from the jurisdiction of the courts of Palau.

(b) The Government of the United States accepts responsibility for and shall pay:

(1) any unpaid money judgment rendered by the High Court of the Trust Territory of the Pacific Islands against the Government of the Trust Territory of the Pacific Islands or the Government of the United States with regard to any cause of action arising as a result of acts or omissions of the

Government of the Trust Territory of the Pacific Islands or the Government of the United States prior to the effective date of this Compact;

(2) any claim settled by the claimant and the Government of the Trust Territory of the Pacific Islands but not paid as of the effective date of this Compact; and

(3) settlement of any administrative claim or of any action before a court of the Trust Territory of the Pacific Islands, pending as of the effective date of this Compact, against the Government of the Trust Territory of the Pacific Islands or the Government of the United States, arising as a result of acts or omissions of the Government of the Trust Territory of the Pacific Islands or the Government of the United States.

(c) Any claim not referred to in Section 174(b) and arising from an act or omission of the Government of the Trust Territory of the Pacific Islands or the Government of the United States prior to the effective date of this Compact shall be adjudicated in the same manner as a claim adjudicated according to Section 174(d). In any claim against the Government of the Trust Territory of the Pacific Islands, the Government of the United States shall stand in the place of the Government of the Trust Territory of the Pacific Islands. A judgment on any claim referred to in Section 174(b) or this subsection, not otherwise satisfied by the Government of the United States, may be presented for certification to the United States Court of Appeals for the Federal Circuit, or its successor court, which shall have jurisdiction therefor, notwithstanding the provisions of 28 U.S.C. 1502, and which court's decisions shall be reviewable as provided by the laws of the United States. The United States Court of Appeals for the Federal Circuit shall certify such judgment, and order payment thereof, unless it finds, after a hearing, that such judgment is manifestly erroneous as to law or fact, or manifestly excessive. In either of such cases the United States Court of Appeals for the Federal Circuit shall have jurisdiction to modify such judgment.

(d) The Government of Palau, shall not be immune from the jurisdiction of the courts of the United States, and the Government of the United States shall not be immune from the jurisdiction of the courts of Palau in any case in which the action is based on a commercial activity of the defendant Government carried out where the action is brought, or in a case in which damages are sought for personal injury or death or damage to or loss of property occurring where the action is brought. This subsection shall apply only to actions based on commercial activities entered into or injuries or losses suffered on or after the effective date of this Compact.

Section 175

A separate agreement, which shall come into effect simultaneously with this Compact, shall be concluded between the Government of the United States and the Government of Palau regarding mutual assistance and cooperation in law enforcement matters including the pursuit, capture, imprisonment and extradition of fugitives from justice and the transfer of prisoners. The separate agreement shall have the force of law. In the United States, the laws of the United States governing international extradition, including 18 U.S.C. 3184, 3186 and 3188-3195, shall be applicable to the extradition of fugitives under the separate agreement, and the laws of the United States governing the transfer of prisoners, including 18 U.S.C. 4100-4115, shall be applicable to the transfer of prisoners under the separate agreement.

Section 176

The Government of Palau confirms that final judgments in civil cases rendered by any court of the Trust Territory of the Pacific Islands shall continue in full force and effect, subject to the constitutional power of the courts of Palau to grant relief from judgments in appropriate cases.

Section 177

(a) Federal agencies of the Government of the United States which provide services and related programs in Palau are authorized to settle and pay tort claims arising in Palau from the activities of such agencies or from the acts or omissions of the employees of such agencies. Except as provided in Section 177(b), the provisions of 28 U.S.C. 2672 and 31 U.S.C. 1304 shall apply exclusively to such administrative settlements and payments.

(b) Claims under Section 177(a) which cannot be settled under Section 177(a) shall be disposed of exclusively in accordance with Article II of Title Four. Arbitration awards rendered pursuant to this subsection shall be paid out of funds under 31 U.S.C. 1304.

(c) The Government of the United States and the Government of Palau shall provide for:

(1) the administrative settlement of claims referred to in Section 177(a), including designation of local agents in Palau, such agents to be empowered to accept, investigate and settle such claims, in a timely manner, as provided in such related agreements; and

(2) arbitration, referred to in Section 177(b), in a timely manner, at a site convenient to the claimant, in the event a claim is not otherwise settled pursuant to Section 177(a).

(d) The provisions of Section 174(d) shall not apply to claims covered by this Section.

TITLE TWO

ECONOMIC RELATIONS

Article I

Grant Assistance

Section 211

In order to assist the Government of Palau in its efforts to advance the well-being of the people of Palau and in recognition of the special relationship that exists between the United States and Palau, the Government of the United States shall provide to the Government of Palau on a grant basis the following amounts:

(a) $12 million annually for ten years commencing on the effective date of this Compact, and $11 million annually for five years commencing on the tenth anniversary of the effective date of this Compact, for current account operations and maintenance purposes, which amounts commencing on the fourth anniversary of the effective date of this Compact shall include a minimum annual distribution of $5 million from the fund specified in Section 211(f).

(b) $2 million annually for fourteen years commencing on the first anniversary of the effective date of this Compact as a contribution to efforts aimed at achieving increased self-sufficiency in energy production, of which annual amounts not less than $500,000 shall be devoted to the energy needs of those parts of Palau not served by its central power-generating facility.

(c) $150,000 annually for fifteen years commencing on the effective date of this Compact as a contribution to current account operations and maintenance of communications systems, and the sum of $1.5 million, to be made available concurrently with the grant assistance provided during the first year after the effective date of this Compact, for the purpose of acquiring such communications hardware as may be located within Palau or for such other current or capital account activity as the Government of Palau may select.

(d) $631,000 annually on a current account basis for fifteen years commencing on the effective date of this Compact for the purposes set forth below:

(1) for the surveillance and enforcement by Government of Palau of its maritime zone;

(2) for health and medical programs, including referrals to hospital and treatment centers; and

(3) for a scholarship fund to support the post-secondary education of citizens of Palau attending United States accredited, post-secondary institutions in Palau, the United States, its territories and possessions, and states in free association

with the United States. The curricular criteria for the award of scholarships shall be designed to advance the purposes of the plan referred to in Section 231.

(e) The sum of $666,800 as a contribution to the commencement of activities pursuant to Section 211(d)(1).

(f) The sum of $66 million on the effective date of this Compact, and the sum of $4 million concurrently with the grant assistance to be made available during the third year after the effective date of this Compact, to create a fund to be invested by the Government of Palau in issues of bonds, notes or other redeemable instruments of the Government of the United States or other qualified instruments which may be identified by mutual agreement of the Government of the United States and the Government of Palau. Investment of the fund in qualified instruments of United States nationality, and the distribution of sums derived from such investment to the Government of Palau, shall not be subject to any form of taxation by the United States or its political subdivisions. The Government of the United States and the Government of Palau shall set forth in a separate agreement, which shall come into effect simultaneously with this Compact, provisions for the investment, management and review of the fund so as to allow for an agreed minimum annual distribution from its accrued principal and interest commencing upon the effective date of this Compact for fifty years. The objective of this sum is to produce an average annual distribution of $15 million commencing on the fifteenth anniversary of this Compact for thirty five years. Any excess or variance from the agreed minimum annual distributions which may be produced from these sums shall accrue to or be absorbed by the Government of Palau unless otherwise mutually agreed in accordance with the provisions of the separate agreement referred to in this paragraph. The annual distributions produced from these sums are not subject to Sections 215 and 236.

Section 212

In order to assist the Government of Palau in its efforts to advance the economic development and self-sufficiency of the people of Palau and in recognition of the special relationship that exists between the United States and Palau, the Government of the United States shall provide:

(a) To the people of Palau, a road system in accordance with mutually agreed specifications, the construction of which shall be completed prior to the sixth anniversary of the effective date of this Compact; and

(b) To the Government of Palau, the sum of $36 million, during the first year after the effective date of this Compact, for capital account purposes.

Section 213

The Government of the United States shall provide on a grant basis to the Government of Palau the sum of $5.5 million in conjunction with Article II of Title Three. This sum shall be made available concurrently with the grant assistance provided pursuant to this Article during the first year after the effective date of this Compact. The Government of Palau, in its use of such funds, shall take into account the impact of the activities of the Government of the United States in Palau.

Section 214

All funds previously appropriated to the Trust Territory of the Pacific Islands for the Government of Palau which are unobligated by the Government of the Trust Territory as of the effective date of this Compact shall accrue to the Government of Palau for the purposes for which such funds were originally appropriated as determined by the Government of the United States.

Section 215

Except as otherwise provided, the amounts stated in Sections 211(a), 211(b), 211(c) and 212(b) shall be adjusted for each fiscal year by the percent which equals two-thirds of the percentage change in the United States Gross National Product Implicit Price Deflator, or seven percent, whichever is less in any one year, using the beginning of Fiscal Year 1981 as the base.

Article II

Program Assistance

Section 221

(a) The Government of the United States shall make available to Palau, in accordance with and to the extent provided in the separate agreement referred to in Section 232, without compensation and at the levels equivalent to those available to the Trust Territory of the Pacific Islands during the year prior to the effective date of this Compact, the services and related programs:

(1) of the United States Weather Service;

(2) provided pursuant to the Postal Reorganization Act, 39 U.S.C. 101 et seq.;

(3) of the United States Federal Aviation Administration; and

(4) of the United States Civil Aeronautics Board or its successor agencies which have the authority to implement the provisions of paragraph 5 of Article IX of such related agreements, the language of which is incorporated into this Compact.

(b) The Government of the United States, recognizing the special needs of Palau particularly in the fields of education and health care, shall make available, as provided by the laws of the United States,

(1) the annual amount of $2 million which shall be allocated in accordance with the provisions of the separate agreement referred to in Section 232; and

(2) the sums of $4.3 million, $2.9 million and $1.5 million, respectively, during the first, second and third years after the effective date of this Compact, which sums shall be used by the Government of Palau as current account funds to finance programs similar to those programs of the United States that applied to Palau prior to the effective date of this Compact and that provided financial assistance for education to any institution, agency, organization or permanent resident of Palau or to the College of Micronesia.

(c) The Government of the United States shall make available to Palau such alternate energy development projects, studies and conservation measures as are applicable to the Trust

Territory of the Pacific Islands on the day preceding the effective date of this Compact, for the purposes and duration provided in the laws of the United States.

(d) The Government of the United States shall have and exercise such authority as is necessary for the purposes of this Article and as is set forth in the related agreements referred to in Section 232, which shall also set forth the extent to which services and programs shall be provided to Palau.

Section 222

The Government of Palau may request, from time to time, technical assistance from the Federal agencies and institutions of the Government of the United States, which are authorized to grant such technical assistance in accordance with its laws and which shall grant such technical assistance in a manner which gives priority consideration to Palau over other recipients not a part of the United States, its territories or possessions and equivalent consideration to Palau with respect to other states in Free Association with the United States.

Section 223

The citizens of Palau who are receiving post-secondary education assistance from the Government of the United States on the day preceding the effective date of this Compact shall continue to be eligible, if otherwise qualified, to receive such assistance to complete their academic programs for a maximum of four years after the effective date of this Compact.

Section 224

The Government of the United States and the Government of Palau may agree from time to time to the extension to Palau of additional United States grant assistance and of United States services and programs as provided by the laws of the United States.

Article III

Administrative Provisions

Section 231

(a) The annual expenditure by the Government of Palau of the grant amounts specified in Article I of this Title shall be in accordance with an official national development plan promulgated by the Government of Palau and concurred in by the Government of the United States prior to the effective date of this Compact. This plan may be amended from time to time by the Government of Palau.

(b) The Government of the United States and the Government of Palau recognize that the achievement of the goals of the plan referred to in this Section depends upon the availability of adequate internal revenue as well as economic assistance from sources outside of Palau, including the Government of the United States, and may, in addition, be affected by the impact of exceptional, economically adverse circumstances. The Government of Palau shall therefore report annually to the President of the United States and to the Congress of the United States on the implementation of this plan and on its use of the funds specified in this Article. This report shall outline the achievements of the plan to date and the need, if any, for an additional authorization and appropriation of economic assistance for that year to account for any exceptional, economically adverse circumstances. The availability of such additional economic assistance from the Government of the United States shall be subject to the authorization and appropriation of funds by the Government of the United States.

Section 232

The specific nature, extent and contractual arrangements of the services and programs provided for in Section 221 as well as the legal status of agencies of the Government of the United States, their civilian employees and contractors, and the dependents of such personnel while present in Palau, and other arrangements in connection with a service or program furnished by the Government of the United States, are set forth in related agreements which shall come into effect simultaneously with this Compact.

Section 233

The Government of the United States, in consultation with the Government of Palau, shall determine and implement procedures for the periodic audit of all grants and other assistance made under this Title. Such audits shall be conducted at no cost to the Government of Palau.

Section 234

Title to the property of the Government of the United States situated in the Trust Territory of the Pacific Islands and in Palau or acquired for or used by the Government of the Trust Territory of the Pacific Islands on or before the day preceding the effective date of this Compact shall, without reimbursement or transfer of funds, vest in the Government of Palau as set forth in a separate agreement which shall come into effect simultaneously with this Compact. The provisions of this Section shall not apply to the personal property of the Government of the United States for which the Government of the United States determines a continuing requirement.

Section 235

(a) Funds held in trust by the High Commissioner of the Trust Territory of the Pacific Islands, in his official capacity, as of the effective date of this Compact shall remain available as trust funds to their designated beneficiaries. The Government of the United States, in consultation with the Government of Palau, shall appoint a new trustee who shall exercise the functions formerly exercised by the High Commissioner of the Trust Territory of the Pacific Islands.

(b) To provide for the continuity of administration, and to assure the Government of Palau that the purposes of the laws of the United States are carried out and that the funds of any other trust fund in which the High Commissioner of the Trust Territory of the Pacific Islands has authority of a statutory or customary nature shall remain available as trust funds to their designated beneficiaries, the Government of the United States agrees to assume the authority formerly vested in the High Commissioner of the Trust Territory of the Pacific Islands.

Section 236

Except as otherwise provided, approval of this Compact by the Government of the United States shall constitute a pledge of the full faith and credit of the United States for the full payment of the sums and amounts specified in Article I of this Title. The obligation of the Government of the United States under Article I of this Title shall be enforceable in the United States Claims Court, or its successor court, which shall have jurisdiction in cases arising under this Section, notwithstanding the provisions of 28 U.S.C. 1502, and which court's decisions shall be reviewable as provided by the laws of the United States.

Article IV

Trade

Section 241

Palau is not included in the customs territory of the United States.

Section 242

The President of the United States shall proclaim the following tariff treatment for articles imported from Palau which shall apply during the period of effectiveness of this Title:

(a) Unless otherwise excluded, articles imported from Palau, subject to the limitations imposed under sections 503(b) and 504(c) of title 5 of the Trade Act of 1974 (19 USC 2463(b); 2464(c)), shall be exempt from duty.

(b) Only canned tuna provided for in item 112.30 of the Tariff Schedules of the United States that is imported from the Federated States of Micronesia, the Marshall Islands and Palau during any calendar year not to exceed 10 percent of the United States consumption of canned tuna during the immediately preceding calendar year, as reported by the National Marine Fisheries Service, shall be exempt from duty; but the quantity of tuna given duty free treatment under this paragraph for any calendar year shall be counted against the aggregate quantity of canned tuna that is dutiable under rate column numbered 1 of such item 112.30 for that calendar year.

(c) The duty-free treatment provided under paragraph (1) shall not apply to:

(1) watches, clocks and timing apparatus provided for in sub-part E of part 2 of schedule 7 of the Tariff Schedules of the United States;

(2) buttons (whether finished or not finished) provided for in item 745.32 of such Schedules;

(3) textile and apparel articles which are subject to textile agreements; and

(4) footwear, handbags, luggage, flat goods, work gloves, and leather wearing apparel which were not eligible articles for purposes of chapter V of the Trade Act of 1974 (19 USC 2461 et seq.) on April 1, 1984.

(d) If the cost or value of materials produced in the customs territory of the United States is included with respect to an eligible article which is a product of Palau, an appraised value of the article at the time it is entered that is attributable to such United States cost or value may be applied for duty assessment purposes toward determining the percentage referred to in section 503(b)(2) of title V of the Trade Act of 1974.

Section 243

Articles imported from Palau which are not exempt from any duty under paragraphs (a), (b), (c) and (d) of Section 242 shall be subject to the rates of duty set forth in column numbered 1 of the Tariff Schedules of the United States and all products of the United States imported into Palau shall receive treatment no less favorable that that accorded like products of any foreign country with respect to customs duties or charges of a similar nature and with respect to laws and regulations relating to importation, exportation, taxation, sale, distribution, storage, or use.

Article V

Finance and Taxation

Section 251

The currency of the United States is the official circulating legal tender of Palau. Should the Government of Palau act to institute another currency, the terms of an appropriate currency transitional period shall be as agreed with the Government of the United States.

Section 252

The Government of Palau may, with respect to United States persons, tax income derived from sources within its respective jurisdiction, property situated therein, including transfers of such property by gift or at death, and products consumed therein, in such manner as such government deems appropriate. The determination of the source of any income, or the situs of any property, shall for purposes of this Compact, be made according to the United States Internal Revenue Code.

Section 253

A citizen of Palau, domiciled therein and who is a nonresident and not a citizen of the United States, shall be exempt from estate, gift, and generation-skipping transfer taxes imposed by the Government of the United States.

Section 254

(a) In determining any income tax imposed by the Government of Palau, the Government of Palau shall have authority to impose tax upon income derived by a resident of Palau from sources without Palau in the same manner and to the same extent as the Government of Palau imposes tax upon income derived from within its jurisdiction. If the Government of Palau exercises such authority as provided in this subsection, any individual resident of Palau who is subject to tax by the Government of the United States on income which is also taxed by the Government of Palau shall be relieved of liability to the Government of the United States for the tax which, but for this subsection, would otherwise be imposed by the Government of the United States on such income. For purposes of this Section, the term "resident of Palau" shall be deemed to include any person who was physically present in Palau for a period of 183 or more days during any taxable year. The relief from liability referred to in this subsection means only

(1) relief in the form of the foreign tax credit (or deduction in lieu thereof) available with respect to the income taxes of a possession of the United States, and

(2) relief in the form of the exclusion under section 911 of the United States Internal Revenue Code of 1954.

(b) If the Government of Palau subjects income to taxation substantially similar to that imposed by the Trust Territory Code in effect on January 1, 1980, such Government shall be deemed to have exercised the authority described in Section 254 (a).

Section 255

(a) For purposes of section 936 of the Internal Revenue Code of 1954 Palau shall be treated as if it was a possession of the United States.

(b) Subsection (a) of this Section shall not apply to Palau for any period after December 31, 1986, during which there is not in effect between Palau and the United States an exchange of information agreement of the kind described in section 274(h)(6)(C) (other than clause (ii) thereof) of the Internal Revenue Code of 1954.

(c) If the tax incentives extended to Palau under subsection (a) of this Section are, at any time during which the Compact is in effect, reduced, the United States Secretary of the Treasury shall negotiate an agreement with the Government of Palau under which, when such agreement is approved by law, Palau will be provided with benefits substantially equivalent to such reduction in benefits. If within the 1-year period after the date of the enactment of the Act making the reduction in benefits, an agreement negotiated under the preceding sentence is not approved by law, the matter shall be submitted to the Arbitration Board established pursuant to Section 424. For purposes of Article V of this Title, the Secretary of the Treasury or his delegate shall be the member of such Board representing the Government of the United States. Any decision of such Board in the matter when approved by law shall be binding on the United States, except that such decision rendered is binding only as to whether the United States has provided the substantially equivalent benefits referred to in this subsection.

(d) For purposes of section 274(h)(3)(A) of the Internal Revenue Code of 1954, the term "North American area" shall include Palau.

Section 256

This Article shall apply to income earned, and transactions occurring, after September 30, 1985, in taxable years ending after such date.

TITLE THREE

SECURITY AND DEFENSE RELATIONS

Article I

Authority and Responsibility

Section 311

The territorial jurisdiction of the Republic of Palau shall be completely foreclosed to the military forces and personnel or for the military purposes of any nation except the United States of America, and as provided for in Section 312.

Section 312

The Government of the United States has full authority and responsibility for security and defense matters in or relating to Palau. Subject to the terms of any agreements negotiated pursuant to Article II of this Title, the Government of the United States may conduct within the lands, water and airspace of Palau the activities and operations necessary for the exercise of its authority and responsibility under this Title. The Government of the United States may invite the armed forces of other nations to use military areas and facilities in Palau in conjunction with and under the control of United States Armed Forces.

Section 313

The Government of Palau shall refrain from actions which the Government of the United States determines, after consultation with that Government, to be incompatible with its authority and responsibility for security and defense matters in or relating to Palau.

Article II

Defense Sites and Operating Rights

Section 321

The Government of the United States may establish and use defense sites in Palau, and may designate for this purpose land and water areas and improvements in accordance with the provisions of a separate agreement which shall come into force simultaneously with this Compact.

Section 322

(a) When the Government of the United States desires to establish or use such a defense site specifically identified in the separate agreement referred to in Section 321, it shall so inform the Government of Palau which shall make the designated site available to the Government of the United States for the duration and level of use specified.

(b) With respect to any site not specifically identified in the separate agreement referred to in Section 321, the Government of the United States shall inform the Government of Palau, which shall make the designated site available to the Government of the United States for the duration and level of use specified, or shall make available one alternative site acceptable to the Government of the United States. If such alternative site is unacceptable to the Government of the United States, the site first designated shall be made available after such determination.

(c) Compensation in full for designation, establishment or use of defense sites is provided in Title Two of this Compact.

Section 323

The military operating rights of the Government of the United States and the legal status and contractual arrangements of the United States Armed Forces, their members, and associated civilians, while present in Palau, are set forth in related agreements which shall come into effect simultaneously with this Compact.

Section 324

In the exercise in Palau of its authority and responsibility under this Title, the Government of the United States shall not use, test, store or dispose of nuclear, toxic chemical, gas or biological weapons intended for use in warfare and the Government of Palau assures the Government of the United States that in carrying out its security and defense responsibilities under this Title, the Government of the United States has the right to operate nuclear capable or nuclear propelled vessels and aircraft within the jurisdiction of Palau without either confirming or denying the presence or absence of such weapons within the jurisdiction of Palau.

Article III

Defense Treaties and International Security Agreements

Section 331

Subject to the terms of this Compact and its related agreements, the Government of the United States, exclusively, shall assume and enjoy, as to Palau, all obligations, responsibilities, rights and benefits of:

(a) Any defense treaty or other international security agreement applied by the Government of the United States as administering authority of the Trust Territory of the Pacific Islands as of the day preceding the effective date of this Compact; and

(b) Any defense treaty or other international security agreement to which the Government of the United States is or may become a party which it determines to be applicable in Palau. Such a determination by the Government of the United States shall be preceded by appropriate consultation with the Government of Palau.

Article IV

Service in the Armed Forces of the United States

Section 341

Any citizen of Palau entitled to the privileges of Section 131 of this Compact shall be eligible to volunteer for service in the Armed Forces of the United States, but shall not be subject to involuntary induction into military service of the United States so long as such person does not establish habitual residence in the United States, its territories or possessions.

Section 342

The Government of the United States shall have enrolled, at any one time, at least one qualified student from Palau as may be nominated by the Government of Palau, in each of:

(a) The United States Coast Guard Academy pursuant to 14 U.S.C. 195; and

(b) The United States Merchant Marine Academy pursuant to 46 U.S.C. 1295(b)(6), provided that the provisions of 46 U.S.C. 1295(b)(6)(C) shall not apply to the enrollment of students pursuant to Section 342(b) of this Compact.

Article V

General Provisions

Section 351

(a) The Government of the United States and the Government of Palau shall establish a joint committee empowered to consider disputes which may arise under the implementation of this Title and its related agreements.

(b) The membership of the joint committee shall comprise selected senior officials of each of the participating Governments. The senior United States military commander in the Pacific area shall be the senior United States member of the joint committee. For the meetings of the joint committee, each of the Governments may designate additional or alternate representatives as appropriate for the subject matter under consideration.

(c) Unless otherwise mutually agreed, the joint committee shall meet semi-annually at a time and place to be designated, after appropriate consultation, by the Government of the United States. The joint committee also shall meet promptly upon request of either of its members. Upon notification by the Government of the United States , the joint committee shall meet promptly in combined session with other such joint committees so notified. The joint committee shall follow such procedures, including the establishment of functional subcommittees, as the members may from time to time agree.

(d) Unresolved issues in the joint committee shall be referred to the Government of the United States and the Government of Palau for resolution, and the Government of Palau shall be afforded, on an expeditious basis, an opportunity to raise its concerns with the United States Secretary of Defense personally regarding any unresolved issue which threatens its continued association with the Government of the United States.

Section 352

In the exercise of its authority and responsibility under this Compact, the Government of the United States shall accord due respect to the authority and responsibility of the Government of Palau under this Compact and to the responsibility of the Government of Palau to assure the well-being of Palau and its people. The Government of the United States and the Government of Palau agree that the authority and responsibility of the United States set forth in this Title are exercised for the mutual security and benefit of Palau and the United States, and that any attack on Palau would constitute a threat to the peace and security of the entire region and a danger to the United

States. In the event of such an attack, or threat thereof, the Government of the United States would take action to meet the danger to the United States and Palau in accordance with its constitutional processes.

Section 353

(a) The Government of the United States shall not include the Government of Palau as a named party to a formal declaration of war, without the consent of the Government of Palau.

(b) Absent such consent, this Compact is without prejudice, on the ground of belligerence or the existence of a state of war, to any claims for damages which are advanced by the citizens, nationals or Government of Palau which arise out of armed conflict subsequent to the effective date of this Compact and which are:

(1) petitions to the Government of the United States for redress; or

(2) claims in any manner against the government, citizens, nationals or entities of any third country.

(c) Petitions under Section 353(b)(1) shall be treated as if they were made by citizens of the United States.

TITLE FOUR

GENERAL PROVISIONS

Article I

Approval and Effective Date

Section 411

This Compact shall come into effect upon mutual agreement between the Government of the United States, acting in fulfillment of its responsibilities as Administering Authority of the Trust Territory of the Pacific Islands, and the Government of Palau, subsequent to completion of the following:

(a) Approval by the Government of Palau in accordance with its constitutional processes;

(b) Approval by the people of Palau in a referendum called on this Compact; and

(c) Approval by the Government of the United States in accordance with its constitutional processes.

Article II

Conference and Dispute Resolution

Section 421

The Government of the United States and the Government of Palau shall confer promptly at the request of the other on matters relating to the provisions of this Compact or of its related agreements.

Section 422

In the event the Government of the United States or the Government of Palau, after conferring pursuant to Section 421, determines that there is a dispute and gives written notice thereof, the Governments shall make a good faith effort to resolve the dispute among themselves.

Section 423

If a dispute between the Government of the United States and the Government of Palau cannot be resolved within 90 days of written notification in the manner provided in Section 422, either party to the dispute may refer it to arbitration in accordance with Section 424.

Section 424

Should a dispute be referred to arbitration as provided for in Section 423, an arbitration board shall be established for the purpose of hearing the dispute and rendering a decision which shall be binding upon the two parties to the dispute unless the two parties mutually agree that the decision shall be advisory. Arbitration shall occur according to the following terms:

(a) An arbitration board shall consist of a chairman and two other members, each of whom shall be a citizen of a party to the dispute and each of the two parties to the dispute shall appoint one member to the arbitration board. If either party to the dispute does not fulfill the appointment requirements of this Section within 30 days of referral of the dispute to arbitration pursuant to Section 423, its member on the arbitration board shall be selected from its own standing list by the other party to the dispute. Each government shall maintain a standing list of 10 candidates. The parties to the dispute shall jointly appoint a chairman within 15 days after selection of the other members of the arbitration board. Failing agreement on a chairman, the chairman shall be chosen by lot from the standing lists of the parties to the dispute within 5 days after such failure.

(b) The arbitration board shall have jurisdiction to hear and render its final determination on all disputes arising exclusively under Articles, I, II, III, IV, and VI of Title One, Title Two, Title Four and their related agreements.

(c) Each member of the arbitration board shall have one vote. Each decision of the arbitration board shall be reached by majority vote.

(d) In determining any legal issue, the arbitration board may have reference to international law and, in such reference, shall apply as guidelines the provisions set forth in Article 38 of the Statute of the International Court of Justice.

(e) The arbitration board shall adopt such rules for its proceedings as it may deem appropriate and necessary, but such rules shall not contravene the provisions of this Compact. Unless the parties provide otherwise by mutual agreement, the arbitration board shall endeavor to render its decision within 30 days after the conclusion of arguments. The arbitration board shall make findings of fact and conclusions of law and its members may issue dissenting or individual opinions. Except as may be otherwise decided by the arbitration board, one-half of all costs of the arbitration shall be borne by the Government of the United States and the remainder shall be borne by the Government of Palau.

Article III

Amendment and Review

Section 431

The provisions of this Compact may be amended at any time by mutual agreement of the Government of the United States and the Government of Palau in accordance with their respective constitutional processes.

Section 432

Upon the fifteenth and thirtieth and fortieth anniversaries of the effective date of this Compact, the Government of the United States and the Government of Palau shall formally review the terms of this Compact and its related agreements and shall consider the overall nature and development of their relationship. In these formal reviews, the governments shall consider the operating requirements of the Government of Palau and its progress in meeting the development objectives set forth in the plan referred to in Section 231(a). The governments commit themselves to take specific measures in relation to the findings of conclusions resulting from the review. Any alteration to the terms of this Compact or its related agreements shall be made by mutual agreement, the terms of this Compact and its related agreements shall remain in force until otherwise amended or terminated pursuant to Title Four of this Compact.

Article IV

Termination

Section 441

This Compact may be terminated by mutual agreement and subject to Section 451.

Section 442

This Compact may be terminated by the Government of the United States subject to Section 452, such termination to be effective on the date specified in the notice of termination by the Government of the United States but not earlier than six months following delivery of such notice. The time specified in the notice of termination may be extended.

Section 443

This Compact shall be terminated, pursuant to its constitutional processes, by the Government of Palau subject to Section 452 if the people of Palau vote in a plebiscite to terminate. . The Government of Palau shall notify the Government of the United States of its intention to call such a plebiscite which shall take place not earlier than three months after delivery of such notice. The plebiscite shall be administered by such government in accordance with its constitutional and legislative processes, but the Government of the United States may send its own observers and invite observers from a mutually agreed party. If a majority of the valid ballots cast in the plebiscite favors termination, such government shall, upon certification of the results of the plebiscite, give notice of termination to the Government of the United States, such termination to be effective on the date specified in such notice but not earlier than three months following the date of delivery of such notice. The time specified in the notice of termination may be extended.

Article V

Survivability

Section 451

Should termination occur pursuant to Section 441, economic assistance by the Government of the United States shall continue on mutually agreed terms.

Section 452

Should termination occur pursuant to Section 442 or 443, the following provisions of this Compact shall remain in full force and effect until the fiftieth anniversary of the effective date of this Compact and thereafter as mutually agreed:

(a) Article I and Section 233 of Title Two;

(b) Title Three; and

(c) Article II, III, V and VI of Title Four.

Section 453

Notwithstanding any other provision of this Compact:

(a) The provisions of Section 311, even if Title Three should terminate, are binding and shall remain in effect for a period of 50 years and thereafter until terminated or otherwise amended by mutual consent;

(b) The related agreements referred to in Article II of Title Three shall remain in effect in accordance with their terms; and

(c) The Government of the United States reaffirms its continuing interest in promoting the long-term economic advancement and self-sufficiency of the people of Palau.

Section 454

Any provision of this Compact which remains in effect by operation of Section 452 shall be construed and implemented in the same manner as prior to any termination of this Compact pursuant to Section 442 or 443.

Article VI

Definition of Terms

Section 461

For the purpose of this Compact the following terms shall have the following meanings:

(a) "Trust Territory of the Pacific Islands" means the area established in the Trusteeship Agreement consisting of the administrative districts of Kosrae, Yap, Palau, Ponape, the Marshall Islands and Truk as described in Title One, Trust Territory Code, Section 1, in force on January 1, 1979. This term does not include the area of the Northern Mariana Islands.

(b) "Trusteeship Agreement" means the agreement setting forth the terms of trusteeship for the Trust Territory of the Pacific Islands, approved by the Security Council of the United Nations April 2, 1947, and by the United States July 18, 1947, entered into force July 18, 1947, 61 Stat. 3301, T.I.A.S. 1665, 8 U.N.T.S. 189.

(c) "Palau" is used in a geographic sense and includes the land and water areas to the outer limits of the territorial sea and the air space above such areas as now or hereafter recognized by the Government of the United States consistent with the Compact and its related agreements.

(d) "Government of Palau" means the Government established and organized by the Constitution of Palau including all the political subdivisions and entities comprising that Government.

(e) "Habitual Residence" means a place of general abode or a principal, actual dwelling place of a continuing or lasting nature; provided, however, that this term shall not apply to the residence of any person who entered the United States for the purpose of full time studies as long as such person maintains that status, or who has been physically present in the United States or Palau for less than one year, or who is a dependent of a resident representative, as described in Section 152.

(f) For the purposes of Article IV of Title One of this Compact:

(1) "Actual Residence" means physical presence in Palau during eighty-five percent of the period of residency required by Section 141(a)(3); and

(2) "Certificate of Actual Residence" means a certificate issued to a naturalized citizen by the Government which has naturalized him stating that the citizen has complied with the actual residence requirement of Section 141(a)(3).

(g) "Defense Sites" means those land and water areas and improvements thereon in Palau reserved or acquired by the Government of Palau for use by the Government of the United States, as set forth in the related agreements referred to in Section 321.

(h) "Capital Account" means, for each year of the Compact, those portions of the total grant assistance provided in Article I of Title Two, which are to be obligated for:

(1) the construction or major repair of capital infrastructure; or

(2) public and private sector projects identified in the official overall economic development plan.

(i) "Current Account" means, for each year of the Compact, those portions of the total grant assistance provided in Article I of Title Two, which are to be obligated for recurring operational activities including infrastructure maintenance as identified in the annual budget justifications submitted yearly to the Government of the United States.

(j) "Official National Development Plan" means the documented program of annual development which identifies the specific policy and project activities necessary to achieve a specified set of economic goals and objectives during the period of free association, consistent with the economic assistance authority in Title Two. Such a document should include an analysis of population trends, manpower requirements, social needs, gross national product estimates, resource utilization, infrastructure needs and expenditures, and the specific private sector projects required to develop the local economy of Palau. Project identification should include initial cost estimates, with project purposes related to specific development goals and objectives.

(k) "Tariff Schedules of the United States" means the Tariff Schedules of the United States as amended from time to time and as promulgated pursuant to United States law and includes the Tariff Schedules of the United States Annotated (TSUSA), as amended.

(l) "Vienna Convention on Diplomatic Relations" means the Vienna Convention on Diplomatic Relations, done April 18, 1961, 23 U.S.T. 3227, T.I.A.S. 7502, 500 U.N.T.S. 95.

Section 462 -

The Government of the United States and the Government of Palau shall conclude related agreements which shall come into effect and shall survive in accordance with their terms, and which shall be construed and implemented in a manner consistent with this Compact, as follows:

(a) Agreement Regarding the Provision of Telecommunication Services by the Government of the United States to Palau Concluded Pursuant to Section 131 of the Compact of Free Association;

(b) Agreement Regarding the Operation of Telecommunication Services of the Government of the United States in Palau, Concluded Pursuant to Section 132 of the Compact of Free Association;

(c) Agreement on Extradition, Mutual Assistance in Law Enforcement Matters and Penal Sanctions Concluded Pursuant to Section 175 of the Compact of Free Association;

(d) Agreement Regarding United States Economic Assistance to the Government of Palau Concluded Pursuant to Section 211 (f) of the Compact of Free Association;

(e) Agreement Regarding Construction Projects in Palau Concluded Pursuant to Section 212 (a) of the Compact of Free Association;

(f) Agreement Regarding Federal Programs and Services, Concluded Pursuant to Article II of Title Two and Section 232 of the Compact of Free Association;

(g) Agreement Regarding Property Turnover, Concluded Pursuant to Section 234 of the Compact of Free Association;

(h) Agreement Regarding the Military Use and Operating Rights of the Government of the United States in Palau Concluded Pursuant to Sections 321 and 322 of the Compact of Free Association; and

(i) Status of Forces Agreement Concluded Pursuant to Section 323 of the Compact of Free Association.

(j) Agreement Regarding the Jurisdiction and Sovereignty of the Republic of Palau over its Territory and the Living and Nonliving Resources of the Sea.

(k) Agreement Relating to Aspects of the Mutual Security Relationship between the United States and Palau.

Article VII

Concluding Provisions

Section 471

(a) The Government of the United States and the Government of Palau agree that they have full authority under their respective constitutions to enter into this Compact and its related agreements and to fulfill all of their respective responsibilities in accordance with the terms of this Compact and its related agreements. The Governments pledge that they are so committed.

(b) The Government of the United States and the Government of Palau shall take all necessary steps, of a general or particular character, to ensure, not later than the effective date of this Compact, that their laws, regulations and administrative procedures are such as to effect the commitments referred to in Section 471(a).

(c) Without prejudice to the effects of this Compact under international law, this Compact has the force and effect of a statute under the laws of the United States.

Section 472

This Compact may be accepted, by signature or otherwise, by the Government of the United States and the Government of Palau. Each government shall possess an original English language version.

IN WITNESS THEREOF, the undersigned, duly authorized, have signed this Compact of Free Association which shall come into effect in accordance with its terms between the Government of the United States and the Government of Palau.

DONE AT Palau, THIS 10 DAY OF January, ONE THOUSAND NINE HUNDRED EIGHTY ~~FIVE~~ Six

FOR THE GOVERNMENT
OF
THE UNITED STATES OF AMERICA

Fred M. Zeder II

DONE AT Koror, Palau, THIS 10th DAY OF January, ONE THOUSAND NINE HUNDRED EIGHTY ~~FIVE~~ six

FOR THE GOVERNMENT
OF
THE REPUBLIC OF PALAU

Agreement Regarding the Provision
# of Telecommunication Services by the
Government of the United States
to
Palau
Concluded Pursuant to Section 131 of
the Compact of Free Association

Agreement Regarding the Provision of Telecommunication Services by the Government of the United States to Palau Concluded Pursuant to Section 131 of the Compact of Free Association

TABLE OF CONTENTS

Article I.......Definitions.........................Pg. 1-1

Article II......Authority and Responsibility........Pg. 2-1 to 2-2

Article III.....Transition ....Pg. 3-1

Article IV......Effective Date, Amendment and Duration........................Pg. 4-1

Agreed Minute.......................................Pg. A-1

ii

Agreement Regarding the Provision of Telecommunication Services by the Government of the United States to Palau Concluded Pursuant to Section 131 of the Compact of Free Association

This Agreement is concluded by the Signatory Governments and sets forth their respective authority and responsibility with regard to the provision of telecommunication services by the Government of the United States to the Government of Palau as authorized by Section 131 of the Compact of Free Association (the Compact).

Article I

Definitions

Article I

Definitions

1. The definition of terms set forth in Article VI of Title Four of the Compact are incorporated in this Agreement.

2. For the purposes of this Agreement only, the following term shall have the following meaning:

"International Telecommunication Union (ITU) Administration": is for the purposes of this Agreement the Government of the United States.

Article II

Authority and Responsibility

Article II

Authority and Responsibility

1. The Governments of Palau, which is competent and capable under Section 121 of the Compact to conduct foreign affairs in their own name and right with respect to, among other things, communications, has requested that the Government of the United States act as its agent with regard to the provision of certain communications services set forth in Section 131 of the Compact.

2. The Government of the United States shall provide telecommunication services to the Government of Palau as authorized by Section 131 of the Compact. Pursuant to Section 131, the Government of the United States shall represent the interests of the Governments of Palau before the International Telecommunication Union (ITU) and other administrations concerned with international telecommunication in matters pertaining to the International Telecommunication Convention.

3. When the Government of the United States acts on behalf of the Government of Palau pursuant to paragraph 2 of this Article, the Government of the United States shall act in accordance with the provisions of the laws and regulations of the United States which the Government of the United States determines are applicable to Palau at such time. The actions of the Government of the United States shall be consistent with the following:

(a) Prior to the Government of the United States acting on behalf of the Government of Palau in its capacity as ITU Administration, wherever preparation for, or representation at plenipotentiary or administrative conferences of the Union is concerned, the Government of the United States shall consult with the Government of Palau on matters which in the opinion of the Government of the United States relate to or affect any such Government. These consultations shall occur in order for the Government of Palau to present its views to the Government of the United States which shall consider these views when developing United States proposals and positions in connection with the conference preparatory efforts cited hereinbefore. No consultations need be undertaken in respect to matters which, in the opinion of the ITU Administration arise by virtue of due application of the regulatory provisions of the international Radio Regulations then in force.

(b) The Government of the United States shall notify the Government of Palau of significant actions of the ITU and other administrations which the Government of the United States regards as relating to or affecting such governments.

(c) When developing those rules and regulations of the United States which may be applicable to the Government of Palau pursuant to paragraph 2 of this Article, the Government of the United States shall give prior notice of its intentions to the Government of Palau and shall take into account all views expressed by or on behalf of the Government of Palau in connection with the relevant rule-making proceedings.

(d) The provisions of Section 421 of the Compact shall apply, and the Government of the United States shall confer promptly at the request of the Government of Palau and that government shall confer promptly with the Government of the United States on matters relating to this Agreement except in respect to matters which, in the opinion of the ITU Administration, arise by virtue of due application of the regulatory provisions of the International Radio Regulations then in force.

(e) For the purpose of carrying out the provisions of this Agreement, Competent Authorities shall be designated by each of the Signatory Governments. The Competent Authority of the Government of the United States and the Competent Authority of the Government of Palau may communicate directly with each other. The designation by a government of its Competent Authority will be communicated in writing to the other signatory governments, and such designation may, from time to time, be amended.

4. (a) The authority and responsibility of the Government of the United States pursuant to paragraph 1 of this Article is without prejudice to the authority and responsibility of the Government of Palau with regard to telecommunication in Palau, except as may otherwise be required by the International Telecommunication Convention as completed by the Administrative Regulations.

(b) The Governments of Palau shall develop, prior to conducting any telecommunication activity in Palau, standards and procedures, as recommended by the Government of the United States, which shall be consistent with the ITU Convention inasmuch as this Convention is a treaty obligation of the ITU Administration for the Government of Palau. In developing, implementing and maintaining these standards and procedures, the Government of Palau shall take whatever steps may be required by the ITU Convention, as completed by the Administrative Regulations, such that the ITU Administration for the Government of Palau may fully meet its obligations under that Convention.

Article III

Transition

Article III

Transition

1. Upon receipt of notice pursuant to Article IV of this Agreement from the Government of Palau, the Government of the United States shall assist the requesting government in obtaining membership in the ITU. After receipt of notice from the ITU of the requesting government's qualification to act, the Government of the United States shall take such actions as may be necessary to transfer to Palau all relevant obligations and rights.

2. Upon termination of the functions enumerated in Section 131 of the Compact by the Government of the United States, the applicability of all laws of the United States, and of its regulations, practices, policies, treaties, conventions, and arrangements which are applicable to this Agreement shall cease to be applicable in the territory of Palau, and any authority and responsibility of the Government of the United States in respect to such services shall also cease.

Article IV

Effective Date, Amendment and Duration

Article IV

Effective Date, Amendment and Duration

1. This Agreement shall come into effect simultaneously with the Compact.

2. The provisions of this Agreement may be amended as to the Government of Palau and as to the Government of the United States at any time by mutual agreement.

3. This Agreement shall remain in force for a period of fifteen years, subject to Section 231 and Article IV of Title Four of the Compact and in the absence of action to the contrary by a Plenipotentiary Conference of the ITU, unless terminated by a signatory Government in the following manner:

(a) Termination of this Agreement by any signatory Government shall be effected by a written notification to either the Government of the United States or to the Government of Palau, as appropriate, and

(b) Termination shall take effect as mutually agreed or one year after the recipient Government has been notified, but not before receipt of notice from the ITU of the qualification to act.

4. This Agreement may be accepted, by signature or otherwise, by the Government of the United States, and the Government of Palau. Each such Government shall possess an original English language version.

IN WITNESS WHEREOF, the undersigned, duly authorized, have signed this Agreement Regarding the Provision of Telecommunication Services which shall come into effect in accordance with its terms between the Government of the United States and the other Government signatory to this Agreement.

Agreement Regarding the Provision
of Telecommunication Services by the
Government of the United States
to
Palau
Concluded Pursuant to Section 131 of
the Compact of Free Association

DONE AT Koror, Republic of Palau, this 10th day of January, one thousand, nine hundred eighty-~~five~~ six

FOR THE GOVERNMENT

OF

THE UNITED STATES OF AMERICA

Fred Zeder

- - - - -

FOR THE GOVERNMENT

OF

THE REPUBLIC OF PALAU

A-1

Agreement Regarding the Provision of Telecommunication Services by the Government of the United States to Palau Concluded Pursuant to Section 131 of the Compact of Free Association

AGREED MINUTE

The Signatory Governments agree that in order to facilitate common carrier, including satellite, telecommunications in Palau, this Agreement shall be amended as to the matter of United States Federal Communications Commission (FCC) jurisdiction in Palau.

Agreement Regarding the Operation of Telecommunication Services of the Government of the United States in Palau Concluded Pursuant to Section 132 of the Compact of Free Association

Agreement Regarding the Operation of
Telecommunication Services of the
Government of the United States
in
Palau
Concluded Pursuant to Section 132 of
the Compact of Free Association

TABLE OF CONTENTS

Article I........Definitions.......................Pg. 1-1

Article II.......General Provisions................Pg. 2-1 to 2-2

Article III......Defense Telecommunication
Provisions........................Pg. 3-1

Article IV.......United States Federal Programs
and Services Telecommunication
Provisions........................Pg. 4-1

Article V........Effective Date, Amendment
and Duration......................Pg. 5-1

Agreed Minute

Agreement Regarding the Operation of Telecommunication Services of the Government of the United States in Palau Concluded Pursuant to Section 132 of the Compact of Free Association

This Agreement is concluded by the Signatory Governments and sets forth their respective authority and responsibility with regard to the operation of telecommunication services of the Government of the United States in Palau as authorized by Section 132 of the Compact of Free Association (the Compact).

Article I

Definitions

Article I

Definitions

1. The Definition of Terms set forth in the following documents are incorporated into this Agreement:

(a) Article VI of Title Four of the Compact;

(b) Paragraph 2 of Article I of the Status of Forces Agreement Concluded Pursuant to Section 323 of the Compact (the Status of Forces Agreement); and

(c) Paragraph 2 of Article I of the Federal Programs and Services Agreement Concluded Pursuant to Sections 221, 224, 225 and 232 of the Compact (the Federal Programs and Services Agreement).

Article II

General Provisions

Article II

General Provisions

1. The Governments of Palau shall permit the Government of the United States to operate telecommunications services in Palau to the extent necessary to fulfill the obligations of the Government of the United States under the Compact.

2. The Government of the United States may take within Palau measures for the installation, operation and maintenance of its telecommunication services, including:

(a) the operation and maintenance of all telecommunication facilities, and use of the associated radio frequencies authorized for use or in use upon the entry into force of this agreement;

(b) the installation, operation and maintenance of new or additional telecommunication facilities in Palau. Such actions will be coordinated with the respective Government of Palau;

(c) the regulation and control of all telecommunications of the Government of the United States, including the licensing of operations personnel; and

(d) the use of codes, ciphers and other means of cryptographic security.

3. The Government of Palau:

(a) Authorize the operation of United States telecommunication facilities, and the provision of frequencies to the Government of the United States shall be free from all license requirements, taxes, duties, fees and charges;

(b) Shall make prompt and reasonable efforts to satisfy requests by the Government of the United States for changes in existing frequencies and for requests for additional frequencies; and

(c) Shall accept as its own, without a test or fee, the permits or licenses issued to United States personnel by the Government of the United States.

4. (a) For the purpose of carrying out the provisions of this Agreement, Competent Authorities shall be designated by each of the signatory Governments. The Competent Authority of the Government of the United States and the Competent Authority of the Government of Palau may communicate directly with each other. The designation by a government of the Competent Authority will be communicated in writing to each signatory government and such designation may, from time to time, be amended.

(b) In order to harmonize the telecommunication operations of the Government of the United States with those of the Governments of Palau, the Competent Authorities shall establish a Joint Telecommunication Board which shall meet at least semi-annually or more often as may be required. The Board will review plans for changes to the respective telecommunication systems of the parties to ensure maximum possible compatibility and interoperability. The United States shall act as the secretariat for this board and shall host the initial meeting of the Board. The secretariat and host for later meetings will be as mutually agreed by the parties.

5. The Government of the United States, through its Competent Authority, shall coordinate proposed major changes to United States telecommunications and extraordinary activities or exercises which would have the potential of causing either electromagnetic or physical interference with other systems used or licensed by the Government of Palau. The Government of Palau, through its Competent Authority, shall coordinate similar changes with the United States Competent Authority. The Government of the United States and the Government of Palau respectively shall use their best efforts to avoid both electromagnetic and physical interference to each other's telecommunication operations. In the event the Competent Authorities cannot reach a mutually satisfactory agreement through consultations, the matter will be referred to their respective governments for resolution in accordance with the provisions of Article V of Title Three or Article II of Title Four of the Compact as appropriate.

6. Transmitter and receiver antennas installed by the Government of the United States shall be located and constructed so as not to constitute hazards including, inter alia, hazards to air navigation.

Article III

Defense Telecommunication Provisions

Article III

Defense Telecommunication Provisions

1. The Armed Forces of the United States and their United States contractors may take in Palau measures for the installation, operation and maintenance of telecommunication services pursuant to Title Three of the Compact and its related agreements. These measures include the right, as provided for in this agreement, to install, operate and maintain:

(a) Radio communication, radar and telemetry systems including:

(1) Major radio communication facilities as links with the world-wide military network of the United States;

(2) Such other lesser radio-telephonic and telegraphic communication facilities including the Military Affiliate Radio System as may be required for the support of military and administrative services of the Armed Forces of the United States;

(3) Television systems;

(4) Radio facilities for communication with aircraft and surface vessels;

(5) Satellite communications;

(6) Such other broadcast stations contributing to the morale, welfare and training of the Armed Forces of the United States and its contractors, which includes the Armed Forces Radio and Television Service, and short-range broadcast stations; and

(7) Such other telecommunication facilities as may be required from time to time.

(b) Aids to air navigation and airfield approach control systems including electronic navigation and landing aids, such as airport surveillance radars, ground control approach (GCA), TACAN and instrument landing systems (ILS), and other such aids as may be developed and adapted for such use.

(c) Telecommunication equipment in connection with the operation of weather facilities.

Article IV

United States Federal Programs and Services Telecommunication Provisions

Article IV

United States Federal Programs and Services Telecommunication Provisions

United States Federal Agencies and their United States Contractors may take in Palau measures for the installation, operation and maintenance of telecommunication services in support of United States Federal Programs and Services as set forth in the Agreement concluded pursuant to Sections 221, 224, 225 and 232 of the Compact.

Article V

Effective Date, Amendment and Duration

Article V

Effective Date, Amendment and Duration

1. This Agreement shall enter into force simultaneously with the Compact.

2. The provisions of this Agreement may be amended as to the Government of Palau and the Government of the United States at any time by mutual agreement.

3. This Agreement shall remain in force in accordance with the following terms:

(a) Articles I, II, III and V of this Agreement shall remain in force as between the Government of the United States and the Government of Palau for the period of effectiveness of their respective Military Use and Operating Rights Agreements Concluded Pursuant to Sections 321 and 323 of the Compact; and

(b) Articles I, II, IV and V of this Agreement shall remain in force as between the Government of the United States and the Government of Palau for the period of effectiveness of the provisions of Article XIV of the Federal Programs and Services Agreement Concluded Pursuant to Sections 221, 224, 225 and 232 of the Compact.

4. This Agreement may be accepted, by signature or otherwise, by the Government of the United States, the Government of Palau. Each Government accepting this Agreement shall possess an original English language version.

IN WITNESS WHEREOF, the undersigned, duly authorized, have signed this Agreement Regarding the Operation of Telecommunication Services which shall come into effect in accordance with its terms between the Government of the United States and the other Government signatory to this Agreement.

Agreement Regarding the Provision of Telecommunication Services of the Government of the United States in Palau Concluded Pursuant to Section 132 of the Compact of Free Association

DONE AT Koror, Republic of Palau, this 10th day of January, one thousand, nine hundred eighty-~~one~~ six.

FOR THE GOVERNMENT

OF

THE UNITED STATES OF AMERICA

- - - - -

FOR THE GOVERNMENT

OF

THE REPUBLIC OF PALAU

Agreement Regarding the Operation of
Telecommunication Services of the
Government of the United States
in
Palau
Concluded Pursuant to Section 132 of the
Compact of Free Association

AGREED MINUTE

Article II, General Provisions: In Palau, permits or licenses issued to United States personnel by the Government of the United States shall be solely for the operation of telecommunication facilities of the Government of the United States

Article III, Defense Telecommunication Provisions:

(a) The list of activities contained in Article III, paragraph 1 of this Agreement, is a non-exclusive, illustrative listing of the telecommunications activities which the United States may take in Palau.

(b) The term "television systems" as used in Article III, paragraph 1 (a) (3) refers only to such systems used for surveillence monitoring, security systems and other such uses, but not including television broadcast stations as addressed in Article III, paragraph 1 (a) (6).

(c) The Government of the United States shall not undertake any actions to install or operate broadcast stations pursuant to Article III, paragraph 1 (a) (6) of this agreement without the prior agreement between the Government of the United States and the Government of Palau.

Agreement on Extradition, Mutual Assistance in Law Enforcement Matters and Penal Sanctions Concluded Pursuant to Section 175 of The Compact of Free Association

Agreement in Implementation of Section 175 of The Compact of Free Association

TABLE OF CONTENTS

TITLE ONE.........Definitions.........................Pg. 1-1

TITLE TWO.........Extradition.........................Pg. 2-1 to 2-17

Article I.......Obligation to Extradite............Pg. 2-1

Article II......Extraditable Offenses..............Pg. 2-2 to 2-3

Article III.....Exceptions to Extradition..........Pg. 2-4

Article IV......Capital Punishment.................Pg. 2-5

Article V.......Deferred or Temporary Surrender...........................Pg. 2-6

Article VI......Extradition Procedures and Required Documents.................Pg. 2-7

Article VII.....Provisional Arrest or Detention....Pg. 2-8

Article VIII....Rule of Speciality.................Pg. 2-9

Article IX......Multiple Extradition Requests...........................Pg. 2-10

Article X.......Surrender..........................Pg. 2-11

Article XI......Waiver.............................Pg. 2-12

Article XII.....Surrender of Property..............Pg. 2-13

Article XIII....Transit............................Pg. 2-14

Article XIV.....Expenses...........................Pg. 2-15

Article XV......Extradition of Citizens or Nationals.......................Pg. 2-16

Article XVI.....Relationship with Other Agreements..................Pg. 2-17

TITLE THREE.......Judicial Assistance................Pg. 3-1

TITLE FOUR........Execution of Penal Sanctions.......Pg. 4-1 to 4-8

Article I.......Scope..............................Pg. 4-1

Article II......Definitions........................Pg. 4-2

Article III.....Eligibility........................Pg. 4-3

Article IV......Transfer Procedures................Pg. 4-4 to 4-5

Article V.......Execution of Sentence..............Pg. 4-6

Article VI......Review or Modification of Sentence...........................Pg. 4-7

Article VII.....Transit............................Pg. 4-8

TITLE FIVE........Effective Date, Amendment and Duration.......................Pg. 5-1

APPENDIX A........Schedule of Offenses...............Appx. A-1 to A-2

APPENDIX B........Agreed Minute......................Appx. B-1

Agreement on Extradition, Mutual Assistance in Law Enforcement Matters and Penal Sanctions Concluded Pursuant to Section 175 of The Compact of Free Association

This Agreement is concluded by the Signatory Governments as an international agreement and sets forth the obligations, duties, and procedures between the Governments of the United States and Palau, regarding mutual assistance and cooperation in law enforcement matters including the pursuit, capture, imprisonment and extradition of fugitives from justice and transfer of prisoners pursuant to Section 175 of the Compact of Free Association (the Compact).

TITLE ONE

DEFINITIONS

Article I

Definitions

1. The definition of terms set forth in Article VI of Title Four of the Compact is incorporated in this Agreement.

2. For the purposes of Titles Two, Three and Four of this Agreement only, the following terms shall have the following meanings:

(a) "Signatory Governments" means the Government of the United States and the Government of Palau. As used here, the Government of the United States shall include the Governments of the states of the United States of America, its territories and possessions, the District of Columbia, the Commonwealth of Puerto Rico, and the Commonwealth of the Northern Mariana Islands.

(b) "Jurisdiction" is used in a geographic sense. The term "jurisdiction of the requesting/requested Government" when applied to the Government of Palau, means "Palau" as defined in Section 461(c) of the Compact.

(c) "Judge" as used in this Agreement shall include any judicial officer of a Signatory Government who has the authority to issue a warrant of arrest or its equivalent.

(d) "Investigation" means an investigation being conducted by a grand jury or by a law enforcement or administrative agency of a "Signatory Government".

(e) "Proceeding" means a proceeding before an administrative or judicial tribunal of a "Signatory Government".

(f) "Resident Representative" means a person so designated by the sending Government pursuant to Section 152(b) of the Compact and serving in that capacity.

TITLE TWO

EXTRADITION

Article I

Obligation to Extradite

The Government of the United States shall extradite to Palau and the Government of Palau shall extradite to the United States, subject to the provisions and conditions described in this Agreement, any person found in their respective jurisdictions against whom the requesting Government is proceeding for an offense or who is wanted by that Government for the enforcement of a sentence.

Article II

Extraditable Offenses

1. (a) Extraditable offenses, pursuant to the provisions of this Agreement are:

   (1) Offenses listed in the Schedule of Offenses appended to this Agreement which are punishable under the laws of both the requesting and requested Signatory Governments by deprivation of liberty for at least a period exceeding one year or by a more severe penalty; or

   (2) Offenses, regardless of whether listed in the Schedule of Offenses appended to this Agreement or not, which are punishable under both the federal laws of the United States and the national laws of Palau, by deprivation of liberty for at least a period exceeding one year or by a more severe penalty.

(b) For purposes of extradition, it shall not matter whether the laws of the requesting and requested Signatory Governments place the offense within the same category of offenses or describe an offense by the same terminology.

2. Extradition shall be granted in respect of an extraditable offense for the enforcement of a penalty or prison sentence if the duration of the penalty or prison sentence still to be served amounts to at least six months.

3. Subject to the conditions set out in paragraph 1 of this Article extradition shall also be granted:

(a) For attempt or conspiracy to commit, or participation as a principal, accomplice or accessory in, any extraditable offense; and

(b) For any otherwise extraditable offense, whether or not the offense is one for which the laws of the United States require proof of interstate transportation, or use of the mails or of other facilities affecting interstate or foreign commerce, such considerations being solely for the purpose of establishing jurisdiction in a federal court of the United States.

4. When a request for extradition is granted in respect of an extraditable offense, it may also be granted for an offense which could not otherwise fulfill the requirements of paragraphs 1 and 2 of this Article as related to the period of deprivation of liberty

for which the offense is punishable or as related to the duration of the sentence to be served in the jurisdiction of the requesting Government.

5. Extradition shall be granted in respect of an extraditable offense committed outside the territory of the requesting Signatory Government if:

(a) The courts of the requested Government would be competent to prosecute in similar circumstances; or

(b) The person sought is a citizen or national of the requesting Government.

Article III

Exceptions to Extradition

1. Extradition shall not be granted:

(a) When the person whose surrender is sought is being prosecuted or has been convicted, discharged or acquitted by the requested Government for the offense for which extradition is requested; or

(b) When the prosecution of the offense is barred by lapse of time according to the laws of the requesting Government.

2. Subject to paragraph 3 of this Article, extradition may be refused when the Executive Authority of the requested Government, in its sole discretion, determines:

(a) That the offense in relation to which extradition is requested is of a political character; or

(b) That the request for extradition has been made for the purpose of trying or punishing the person whose extradition is sought for an offense of a political character.

3. Extradition shall not be refused on the basis of paragraph 2 of this Article where the offense for which extradition is requested involves a murder or willful crime, including attempts, against the life or physical integrity of a Head of State or Head of Government or any other internationally protected person, including resident representatives, or where the offense for which extradition is sought is one which the requesting Government has the obligation to prosecute by reason of a multilateral treaty or other international agreement.

Article IV

Capital Punishment

When the offense for which extradition is requested is punishable by death under the laws of the requesting Government and the laws of the requested Government do not permit such punishment for that offense, extradition may be refused unless the requesting Government provides such assurances as the Executive Authority of the requested Government considers sufficient that the death penalty will not be imposed, or, if imposed, will not be executed.

Article V

Deferred or Temporary Surrender

After a decision on a request for extradition has been rendered in the case of a person who is being proceeded against or is serving a sentence in the jurisdiction of the United States, or Palau for an offense other than that for which extradition has been requested, the requested Government may defer the surrender of the person sought until the conclusion of the proceedings against that person, or the full execution of any punishment that may be, or may have been, imposed; or temporarily surrender the person sought to the requesting Government solely for the purpose of prosecution. The person so surrendered shall remain in custody during the period of surrender and shall be returned at the conclusion of the proceedings against that person in accordance with conditions to be determined by agreement of the Executive Authorities of the Governments in each case.

Article VI

Extradition Procedures and Required Documents

1. The request for extradition shall be made to the requested national Government by the requesting national Government on behalf of itself or one or more political subdivisions. The requesting Government shall promptly notify the resident representative of the requested Government of its extradition request. Such requests, supporting documentation and notices shall be in the English language.

2. The request shall be accompanied by a description of the person sought, a statement of the facts of the case, the text of the applicable provisions of the laws of the requesting Government describing the offense and punishment, and a statement of its applicable laws relating to proceedings barred by lapse of time.

3. When the request relates to a person who has not yet been convicted, it shall also be accompanied by a copy of a warrant of arrest issued by a judge or other judicial officer of the requesting Government and by such evidence as would provide probable cause, according to the laws of the requested Government, to believe that the person sought has committed the offense for which extradition is requested.

4. When the request relates to a convicted person, it shall be supported by a copy of the judgment of conviction and evidence establishing that the person sought is the person to whom the conviction refers. If no sentence has been imposed, the request for extradition shall be accompanied by a statement to that effect. If a sentence has been imposed, the request for extradition shall be accompanied by a statement to that effect, by a copy of the sentence or committal order and by a statement showing the portion of the sentence remaining to be served.

5. Documentary evidence from the requesting Government in support of a request for extradition shall be deemed duly authenticated and shall be admissible in evidence in the extradition hearing when it bears a seal of the requesting Government, the authenticity of which is attested to by the resident representative of the requesting Government assigned or accredited to the requested Government, or by the resident representative of the requested Government assigned or accredited to the requesting Government, or by the designee of such a resident representative.

6. The requested Government shall promptly communicate to the requesting Government the decision on the request for extradition.

Article VII

Provisional Arrest or Detention

1. In case of urgency, a requesting Government may apply to the requested Government for the provisional arrest or detention of the person sought pending the presentation of the formal request for extradition. The request may be transmitted to the requested Government by the resident representative of the requesting Government.

2. The application shall contain: a description of the person sought, including, if available, the person's nationality; a brief statement of the facts of the case, including, to the extent possible, the time and location of the offense; a statement of the existence of a warrant of arrest or detention or a judgment of conviction against that person; and a statement of intention to request the extradition of the person sought.

3. On receipt of such an application, the requested Government shall take the appropriate steps to secure the arrest or detention of the person sought. The requested Government shall promptly notify the requesting Government of its action.

4. The proceedings against the person so arrested or detained shall be terminated and that person discharged upon expiration of forty-five days, unless otherwise agreed, from the date of arrest or detention pursuant to such application if the request for extradition referred to in Article VI of Title Two of this Agreement is not received by the requested Government. The requested Government shall sympathetically consider a request for extension not to exceed an additional fifteen days. Such termination and discharge shall not prevent the institution of further proceedings for the extradition of that person.

Article VIII

Rule of Speciality

1. A person extradited under this Agreement shall not be arrested, detained, tried or punished in the jurisdiction of the requesting Government for an offense other than that for which extradition has been granted nor be extradited by that Government to another signatory Government or a third country unless:

(a) That person has left the jurisdiction of the requesting Government after extradition and has voluntarily returned to it;

(b) That person has not left the jurisdiction of the requesting Government within thirty days after being free to do so; or

(c) Upon such conditions as may be prescribed by the requested Government, that Government:

(1) Has consented to the arrest, detention, trial or punishment of that person for an offense other than that for which extradition was granted; or

(2) Has consented to extradition to another signatory Government or to a third country.

2. Paragraph 1 of this Article shall not apply to offenses committed after extradition.

3. Instead of the offense for which a person was extradited, after notice to the requested Government, the person may be tried or punished for a different offense, including a lesser included offense, provided that it is:

(a) Based on the same facts as were set out in the request for extradition and the supporting evidence;

(b) Punishable by no greater penalty than the offense for which the person was extradited; and

(c) An offense referred to in the Schedule of Offenses appended to this Agreement or in paragraph 1 (a) of Article II of Title Two.

Article IX

Multiple Extradition Requests

When requests for extradition of the same person are received from the requesting Government and one or more other Governments, the requested Government shall have the discretion to determine to which Government the person is to be extradited.

Article X

Surrender

When a request for extradition has been granted, surrender of the person sought shall take place within such time as may be prescribed by the laws of the requested Government.

Article XI

Waiver

1. A person whose extradition is sought may at any time voluntarily waive extradition proceedings. The waiver shall be in writing, endorsed by a judge, and have the effect of a final decision of the requested Government to surrender that person.

2. A certified copy of the waiver shall constitute sufficient authority to maintain the person sought in custody within the jurisdiction of the requested Government and to deliver that person into the custody of the requesting Government.

Article XII

Surrender of Property

1. To the extent permitted under the laws of the requested Government and subject to the rights of third parties, all property relating to the offense shall at the request of the requesting Government be seized and surrendered upon the granting of the extradition. This property shall be handed over even if the extradition cannot be effected due to the death, escape or disappearance of the person sought.

2. The requested Government may make the surrender of the property conditional upon a satisfactory assurance from the requesting Government that the property shall be returned to the requested Government as soon as possible.

Article XIII

Transit

1. Upon prior notice, the Government of the United States shall have the right to transport through the jurisdictions of the Government of Palau persons surrendered by a Signatory Government or a third country.

2. Upon prior notice, the Government of Palau shall have the right to transport through the jurisdiction of the Signatory Governments persons surrendered by the Government of the United States or a third country.

3. When such transport is by air and no stop is scheduled in the jurisdiction of a Signatory Government, but is required by extenuating circumstances, no prior notice shall be required.

Article XIV

Expenses

1. The requesting Government shall bear the cost of transportation of the person sought.

2. The appropriate legal officers of the requested Government shall act as counsel for the requesting Government except as otherwise agreed.

Article XV

Extradition of Citizens or Nationals

1. No Signatory Government shall be bound to extradite its own citizens or nationals, but may grant extradition if, in its discretion, extradition is deemed proper.

2. If the requested Government denies extradition solely on the basis of citizenship or nationality, it shall submit the case to its competent authorities for purposes of prosecution.

Article XVI

Relationship with Other Agreements

Offenses committed by United States personnel as defined in the Status of Forces Agreement shall be subject to the provisions of the Status of Forces Agreement only when such personnel are in Palau; otherwise the provisions of this Agreement shall govern.

TITLE THREE

JUDICIAL ASSISTANCE

Article I

Judicial Assistance

1. The United States District Court of the district in which a person resides or is found may order that person to give testimony or a statement or to produce a document or other thing for use in a judicial, administrative or criminal investigation or proceeding in Palau.

2. A national court in Palau may order a person residing or found within its jurisdiction to give testimony or a statement or to produce a document or other thing for use in a judicial, administrative, or criminal investigation or proceeding in the United States.

3. The order may be made exclusively either pursuant to a letter rogatory issued or a request made by a court of one of the Signatory Governments, or pursuant to a request made by a department or ministry of justice of one of the Signatory Governments.

4. The order may direct that the testimony or statement be given or the documents or other things be produced before a person appointed by the court. By virtue of this appointment, the person appointed has power to administer any necessary oath and take the testimony or statement.

5. The order shall prescribe the procedure for taking the testimony or statement or producing the document or other thing. When requested, the prescribed procedure shall be designed to meet the requirements for admission in evidence of the testimony or statement to be given, or the document or other thing to be produced, in the place where it is sought to be used.

6. A person may not be compelled to give testimony or a statement or to produce a document or other thing in violation of any legal or constitutional right or privilege applicable in the jurisdiction in which the testimony or statement is given, or a document or other thing is produced.

7. This Agreement does not preclude a person from voluntarily giving testimony or a statement, or producing a document or other thing, for use in an investigation or proceeding in the United States or Palau.

8. Letters rogatory, requests and applications for assistance pursuant to this Title shall be in the English language.

TITLE FOUR

EXECUTION OF PENAL SANCTIONS

Article I

Scope

1. Sentences imposed by courts of Palau on citizens or nationals of the United States may be served in penal institutions of the United States or under the supervision of its authorities in accordance with the provisions of this Agreement.

2. Sentences imposed by courts of the United States, or a state thereof, on citizens or nationals of Palau may be served in penal institutions of Palau, or under the supervision of its authorities in accordance with the provisions of this Agreement.

Article II

Definitions

For the purposes of this Title only:

1. "Transferring Government" means the Signatory Government from which the offender is to be transferred.

2. "Receiving Government" means the Signatory Government to which the offender is to be transferred.

3. "Offender" means a citizen or national of Palau who has been sentenced by a court of the United States, or a state thereof; or a citizen or national of the United States who has been convicted by a court of Palau.

4. "Category I Offender" means an "Offender" who comes within the meaning of the term "United States personnel", as that term is defined in paragraph 2(d) of Article I of the Status of Forces Agreement.

5. "Category II Offender" means all "Offenders" other than "Category I Offenders".

6. "State" when used in the sense of a part of the United States means any State of the United States, any territory or possession of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and the Commonwealth of the Northern Mariana Islands.

Article III

Eligibility

This Agreement shall apply only under the following conditions:

1. That the offense for which the Offender was convicted and sentenced is one which would be punishable in the Receiving Government; provided, however, that this condition shall not be interpreted so as to require that the offense described in the laws of both Governments be identical in those matters which do not affect the nature of the crime.

2. That the Offender be a citizen or national of the Receiving Government.

3. That the Offender has not been sentenced to the death penalty nor convicted of a purely military offense.

4. Except for Category I Offenders, that at least six months of the Offender's sentence remain to be served at the time of petition to transfer.

5. That the sentence be final, that any appeal procedures have been completed, and that there be no collateral or extraordinary remedies pending at the time of invocation of the provisions of this Agreement.

6. That the Offender's express consent, or the consent of a legal representative in the case of a minor or of an Offender who has become mentally incompetent, to transfer has been given voluntarily and with full knowledge of the legal consequences thereof.

7. That, before the transfer, the Transferring Government shall afford an opportunity to the Receiving Government to verify through an officer designated by the laws of the Receiving Government that the Offender's consent to the transfer has been given voluntarily.

Article IV

Transfer Procedures

1. The Signatory Government of which an Offender is a citizen or national shall make each request for transfer of an Offender in writing to the Transferring Government.

2. As to an eligible Category I Offender, no finding of the appropriateness of such consenting Offender's transfer by the Transferring Government shall be required. Once internal arrangements have been completed, the transfer of the Offender shall be effected.

3. As to a Category II Offender, if the Transferring Government considers the request to transfer the Offender appropriate, the Transferring Government will communicate its approval of such request to the Receiving Government so that, once internal arrangements have been completed, the transfer of the Offender may be effected.

4. (a) In deciding whether to request the transfer of a Category II Offender under paragraphs 1 and 3 of this Article and with the objective that the transfer should contribute positively to the Offender's social rehabilitation, the authorities of the Receiving Government will consider, among other factors: the seriousness of the crime; the Offender's previous criminal record, if any; the Offender's health status; and the ties which the Offender may have to the society of the Transferring Government and the Receiving Government.

(b) If the Offender gives his express consent to the transfer, the Transferring Government shall consider the request promptly and approve it in the absence of serious countervailing considerations, which it shall specify.

5. In any case in which a citizen or national of Palau has been sentenced by a state of the United States, the approval of such an Offender's transfer pursuant to paragraph 3 of this Article shall be required from both the appropriate state authority and the federal authority.

6. When the Transferring Government does not approve, for whatever reason, the transfer of a Category II Offender, it shall communicate this decision to the Receiving Government without delay.

7. The Transferring Government shall furnish to the Receiving Government a certified copy of the sentence or judgment relating to the Offender. When the Receiving Government considers such information relevant, it may request, at its expense, copies of the

trial record, or portions thereof, or such additional information as it deems necessary. The Transferring Government shall grant such requests to the extent permissible under its laws.

8. Delivery of an Offender by the authorities of the Transferring Government to those of the Receiving Government shall occur at a place agreed upon by the two Governments. The Receiving Government will be responsible for the custody and transport of the Offender from the Transferring Government.

9. The Receiving Government shall not be entitled to any reimbursement for the expenses incurred by it in the transfer of an Offender or the completion of the Offender's sentence.

Article V

Execution of Sentence

1. An Offender delivered for execution of sentence under this Agreement may not again be detained, tried or sentenced by the Receiving Government for the same offense for which the sentence was imposed by the Transferring Government.

2. Except as otherwise provided in this Agreement, the completion of a transferred Offender's sentence shall be carried out according to the laws and procedures of the Receiving Government, including the application of any provisions for reduction of the term of confinement by parole or conditional release.

3. Each Signatory Party may request reports indicating the status of confinement of all Offenders transferred by it under this Agreement, including in particular the parole or release of an Offender. A Transferring Government may, at any time, request from the Receiving Government a special report on the status of the execution of an individual sentence.

Article VI

Review or Modification of Sentence

The Transferring Government shall retain exclusive jurisdiction over the sentences imposed and any procedures that provide for revision or modification of the sentences pronounced by its courts. The Transferring Government also shall retain the power to pardon or grant amnesty or clemency to an Offender. The Receiving Government, upon being informed of any decision in this regard, will put such measures into effect.

Article VII

Transit

1. Upon prior notice, the Government of the United States shall have the right to transport through the jurisdictions of the Government of Palau Offenders being transferred by a Signatory Government or a third country.

2. Upon prior notice, the Government of Palau shall have the right to transport through the jurisdiction of the United States Offenders being transferred by the Government of the United States or a third country.

3. When such transport is by air and no stop is scheduled in the jurisdiction of a Signatory Government, but is required by extenuating circumstances, no prior notice shall be required.

TITLE FIVE

EFFECTIVE DATE, AMENDMENT AND DURATION

5-1

Article I

Effective Date, Amendment and Duration

1. This Agreement shall come into effect simultaneously with the Compact.

2. This Agreement may be amended at any time as to the Government of Palau by mutual consent of the Government of Palau and the Government of the United States.

3. Titles One, Two and Three of this Agreement are effective as to the Signatory Governments until terminated by in the following manner:

(a) Termination of this Agreement by either any Signatory Government shall be effected by a written notification to either the Government of the United States or to the Government of Palau.

(b) Termination shall take effect one year after the recipient Government has been notified.

4. Titles Four and Five of this Agreement are effective for the period of effectiveness of the Status of Forces Agreement, except for those provisions relating to Category II Offenders which may be terminated in accordance with paragraph 3 of this Article.

5. This Agreement may be accepted, by signature or otherwise, by the Government of the United States, and the Government Palau. Each Government shall possess an original English language version.

IN WITNESS WHEREOF, the undersigned, duly authorized, have signed this Agreement on Extradition, Mutual Assistance in Law Enforcement Matters and Penal Sanctions which shall come into effect in accordance with its terms between the Government of the United States and the Government of Palau.

DONE AT Palau, THIS 10 DAY

OF Jan, ONE THOUSAND NINE HUNDRED EIGHTY-~~FIVE~~ six

FOR THE GOVERNMENT
OF
THE UNITED STATES OF AMERICA

DONE AT Palau, THIS 10 DAY

OF January, ONE THOUSAND NINE HUNDRED EIGHTY-~~FIVE~~ SIX

FOR THE GOVERNMENT
OF
THE REPUBLIC OF PALAU

Appendix A

SCHEDULE OF OFFENSES

1. Offenses against the laws relating to homicide, including murder, manslaughter and causing death by criminal negligence.

2. Offenses against the laws relating to assault, wounding, maiming or causing grievous bodily harm.

3. Rape; indecent or sexual assault; incest; bigamy.

4. Unlawful sexual acts with or upon children under the age specified by the laws of both the requesting and requested Governments.

5. Willful nonsupport or willful abandonment of a minor or other dependent person when such person is or is likely to be injured, or the life of that person is or is likely to be endangered.

6. Kidnapping; abduction; false imprisonment.

7. Offenses against the laws relating to abortions.

8. Offenses against the laws relating to robbery, theft, breaking and entering, burglary, embezzlement, larceny or extortion.

9. Offenses against the laws relating to fraud, breach of trust, fraudulent conversion, or obtaining property, money or securities by fraud or false pretenses.

10. Offenses against the laws relating to bribery, payment of commissions or gratuities, or conflict of interests.

11. Offenses against the laws relating to the receipt or possession of property, including money or securities.

12. Offenses against the laws relating to counterfeiting or forgery.

13. Offenses against the laws relating to perjury, including subornation of perjury, making a false affidavit, statement, or statutory declaration.

14. Offenses against the laws relating to arson.

15. Offenses against the laws relating to obstruction of judicial proceedings or proceedings before governmental bodies; interference with the investigation of a violation of a statute by influencing, bribing, impeding, threatening or injuring by any means any officer of the court, juror, witness or duly authorized investigator.

16. Offenses against the laws relating to the escape of persons.

17. Any act or omission intended or that is likely to:

(a) endanger the safety of an aircraft in flight or of any person on board such an aircraft, or

(b) destroy or render any aircraft incapable of flight.

18. Offenses against the laws relating to unlawful seizure or exercise of control of an aircraft.

19. Offenses against the laws relating to piracy, mutiny, or revolt on board a vessel.

20. Offenses against the laws relating to civil disorder and riot.

21. Offenses against the laws relating to willful damage to property.

22. Offenses against the laws relating to bankruptcy.

23. Offenses against the laws relating to usury.

24. Offenses against laws relating to securities and commodities.

25. Offenses against the laws relating to the traffic in, production, manufacture, or importation of narcotics, dangerous drugs, controlled or restricted substances, including their derivatives and similar synthetic preparations.

26. Offenses against the laws relating to firearms and other weapons, ammunition, explosives, incendiary devices or nuclear material.

27. Offenses relating to willful evasion of taxes or duties.

28. Offenses against the laws relating to importation, exportation or transit of goods, articles, or merchandise.

29. Offenses against the laws relating to competition and trade practices.

Agreement on Extradition, Mutual Assistance in Law Enforcement Matters and Penal Sanctions Concluded Pursuant to Section 175 of The Compact of Free Association

Agreed Minute

Article XVI, Relationship with Other Agreements: Article XVI of this Agreement makes it clear that "United States personnel" (within the meaning of the Status of Forces Agreement ("SOFA")) who commit offenses while in Palau, shall be subject to the applicable provisions of the SOFA. If a person who comes within the SOFA definition of "United States personnel", other than a member of the force, returns to the United States and is no longer subject to the SOFA, the provisions of the extradition agreement would apply. If, however, the offender is a member of the force at the time of the extradition request, it is contemplated that the Executive Authority would not exercise its authority to extradite the offender, but would refer the case to the military authorities for disposition in accordance with the provisions of the SOFA.

Article XVI of the Extradition Agreement is without prejudice to the provisions of the SOFA which otherwise allows transfer of members of the force to Palau.

AGREEMENT BETWEEN
THE GOVERNMENT OF THE UNITED STATES
AND
THE GOVERNMENT OF PALAU
REGARDING ECONOMIC ASSISTANCE
CONCLUDED PURSUANT TO SECTION 211(f)
OF THE COMPACT OF FREE ASSOCIATION

AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES AND THE GOVERNMENT OF PALAU REGARDING ECONOMIC ASSISTANCE CONCLUDED PURSUANT TO SECTION 211(f) OF THE COMPACT OF FREE ASSOCIATION

Table of Contents

Article I.....Definitions....................................1-1

Article II....Creation, Ownership and Distributional Aspects of the Fund..........................2-1

Article III...Management of the Fund......................3-1

Article IV....Distribution Goals..........................4-1

Article V.....Consultation................................5-1

Article VI....Transitional Provisions.....................6-1

Article VII...Effective Date, Amendment and Duration..................................7-1

AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES AND THE GOVERNMENT OF PALAU REGARDING ECONOMIC ASSISTANCE CONCLUDED PURSUANT TO SECTION 211(f) OF THE COMPACT OF FREE ASSOCIATION

This Agreement is concluded by the Signatory Governments and sets forth the obligations and duties between them and the procedures governing the management of a fund to be provided by the Government of the United States for the express purpose of producing income for the Government of Palau in accordance with Section 211(f) of the Compact of Free Association (the Compact).

Article I

Definitions

Article I

Definitions

1. The Definition of Terms contained in Article VI of Title Four of the Compact is incorporated in this Agreement.

2. For the purpose of this Agreement only, the following term shall have the following meaning:

> "the Fund" means the sum provided to the Government of Palau in accordance with paragraph 1 of Article II of this Agreement, such instruments in which this sum is invested, earnings derived from such sum or such investments reduced by any distributions made in accordance with this Agreement.

Article II

Creation, Ownership and Distribution Aspects of the Fund

Article II

Creation, Ownership and Distribution Aspects of the Fund

1. In fulfillment of its obligation under Section 211(f) of the Compact, the Government of the United States shall provide to the Government of Palau the sum of $66 million commencing on the effective date of the Compact and the sum of $4 million during the third year after the effective date of the Compact. These sums shall constitute the initial corpus of the Fund.

2. The Fund shall be owned by the Government of Palau. Neither the expiration of Section 211(f) of the Compact on the fiftieth anniversary of its effective date nor the termination of the Compact pursuant to its terms shall affect the ownership by the Government of Palau of the Fund. The capitalization of the Fund by the Government of the United States pursuant to paragraph 1 of this Article shall constitute fulfillment of any obligation of the Government of the United States to provide economic assistance to the Government of Palau in the event that the Compact is terminated by the Government of Palau pursuant to Section 443 of the Compact on or after the fifteenth anniversary of its effective date.

3. The Government of Palau may make distributions from the Fund as set forth in Section 211(f) of the Compact and this Agreement as follows:

(a) Distributions may be made from the Fund only during a qualifying year. The qualifying years are the forty-six one-year periods following the fourth anniversary of the effective date of the Compact; and

(b) Any amount which is not distributed in any qualifying year shall remain in the Fund for growth and subsequent distribution in accordance with the terms of this Agreement. All distributions from the Fund shall be made to the account of the Government of Palau and shall be used in accordance with its constitutional processes for current account and capital account purposes as specified in Sections 211(a), 211(f), 461(h) and 461(i) of the Compact.

4. Upon the expiration or termination of this Agreement, the ownership of the Fund by the Government of Palau shall be without condition.

Article III

Management of the Fund

Article III

Management of the Fund

1. Upon the initial capitalization of the Fund in accordance with Article II of this Agreement, the Government of Palau shall invest the Fund into interest-earning instruments which are structured to allow distributions during the qualifying years. The Fund may be invested in a single instrument or in a series of different instruments.

2. The Government of Palau shall retain the services of a qualified investment manager (the Fund Manager) of United States nationality with funds under management in excess of $1 billion to invest and manage the Fund on behalf of the Government of Palau in accordance with Section 211(f) of the Compact and this Agreement. The Fund shall be invested only in qualified instruments which are identified from time to time by mutual agreement of the Government of the United States and the Government of Palau. Issues of bonds, notes or other redeemable instruments of the Government of the United States shall be considered qualified instruments and the Government of Palau may invest the Fund in such issues without transaction fees or intermediary charges imposed by the Government of the United States. In consultation with the Government of Palau, the Government of the United States shall designate other investment grade instruments of United States nationality and shall consider designating other investment grade instruments as qualified instruments in order that the performance objectives of the Fund are met.

3. The Government of Palau shall inform the Government of the United States of its decisions and actions with respect to investment or reinvestment of the Fund within sixty days of the consummation of each action. The Government of Palau shall notify the Government of the United States of the amount of each distribution made from the Fund within sixty days after the date of the distribution.

4. Investment of the Fund in qualified instruments of United States nationality, and the distribution of sums derived from such investment to the Government of Palau, shall not be subject to any form of taxation by the United States or its political subdivisions.

Article IV

Distribution Goals

Article IV

Distribution Goals

1. In order to attain the objectives for performance of the Fund set forth in Sections 211(a) and 211(f) of the Compact, the Government of Palau, in its management of the Fund, shall be guided by the distributions shown in the following illustrative table which includes goals for the minimum and maximum amounts of annual distribution.

TABLE 1

This table is based on the assumption that the Fund, capitalized pursuant to Article II of this Agreement, is invested in a fashion which yields a twelve and one-half percent annual return. The disbursement schedule in Column 1 assumes that the annual distribution is made on the first day of the year in question and the disbursement schedule in Column 2 assumes that the annual distribution is made on the last day of the year in question.

- $ in millions -

	Column 1		Column 2	
Year	Disbursement	Fund at year end	Disbursement	Fund at year end
1	5.00	61.88	5.00	62.50
2	5.00	63.99	5.00	65.31
3	5.00	66.37	5.00	68.48
4	5.00	69.04	5.00	72.04
5	5.00	72.04	5.00	76.04
6	5.00	75.42	5.00	80.55
7	5.00	79.22	5.00	85.61
8	5.00	83.50	5.00	91.32
9	5.00	88.32	5.00	97.73
10	5.00	93.73	5.00	104.95
11	5.00	99.82	5.00	113.06
12	5.00	106.67	5.00	122.20
13	5.00	114.38	5.00	132.47
14	5.00	123.06	5.00	144.03
15	5.00	132.81	5.00	157.04
16	15.00	132.54	15.00	161.67
17	15.00	132.23	15.00	166.87
18	15.00	131.89	15.00	172.73
19	15.00	131.50	15.00	179.32
20	15.00	131.06	15.00	186.74
21	15.00	130.57	15.00	195.08
22	15.00	130.01	15.00	204.47
23	15.00	129.39	15.00	215.03

Table 1, continued

- $ in millions -

	Column 1		Column 2	
Year	Disbursement	Fund at year end	Disbursement	Fund at year end
24	15.00	128.69	15.00	226.90
25	15.00	127.90	15.00	240.27
26	15.00	127.01	15.00	255.30
27	15.00	126.01	15.00	272.21
28	15.00	124.89	15.00	291.24
29	15.00	123.62	15.00	312.64
30	15.00	122.20	15.00	336.72
31	15.00	120.60	15.00	363.81
32	15.00	118.80	15.00	394.29
33	15.00	116.77	15.00	428.58
34	15.00	114.49	15.00	467.15
35	15.00	111.93	15.00	510.54
36	15.00	109.05	15.00	559.36
37	15.00	105.80	15.00	614.28
38	15.00	102.15	15.00	676.07
39	15.00	98.05	15.00	745.58
40	15.00	93.43	15.00	823.77
41	15.00	88.23	15.00	911.74
42	15.00	82.39	15.00	1010.71
43	15.00	75.81	15.00	1122.05
44	15.00	68.41	15.00	1247.31
45	15.00	60.09	15.00	1388.22
46	15.00	50.73	15.00	1546.75
47	15.00	40.19	15.00	1725.09
48	15.00	28.34	15.00	1925.73
49	15.00	15.01	15.00	2151.44
50	15.00	0.01	15.00	2405.37

Article V

Consultation

Article V

Consultation

1. The Government of the United States and the Government of Palau shall consult at any time at the request of either of them with respect to the subject matter of this Agreement.

2. The Government of Palau shall provide a report on its implementation of this Agreement, including the date and amount of any distributions and the resulting size and status of the Fund, in conjunction with its annual report referred to in Section 231 of the Compact. For purposes of this report and all other transactions, the Fund shall be denominated in the currency of the United States. Such report shall provide comprehensive information on the activities of the Fund Manager with respect to the Fund and may include material supplied by the Fund Manager.

3. Upon the fifth anniversary of the effective date of the Compact and at five year intervals thereafter, the Government of the United States and the Government of Palau shall review all aspects of the performance of the Fund and shall take such actions as are mutually agreed to resolve any issue identified in these reviews. In the reviews, specific consideration shall be given to the relationship between the performance of the Fund and the condition of the current account of the Government of Palau.

4. Any issue or dispute arising under the terms of this Agreement shall be resolved exclusively by the Government of the United States and the Government of Palau in accordance with the provisions of Article II of Title Four of the Compact.

Article VI

Transitional Provisions

Article VI

Transitional Provisions

1. The Government of the United States and the Government of Palau recognize that certain assumptions underlie the signature of this Agreement by their representatives, Specifically, the representatives of the Government of the United States and the Government of Palau anticipate that the Fund can be invested in a fashion which yields a minimum annual return of twelve and one-half percent, and antitipate that the Compact will be approved and come into effect in 1986. If questions arise regarding the basis for these assumptions during the period between the signature of this Agreement and its effective date, the provisions of this Agreement may be revised and adjustments made on the basis of mutual agreement of the Signatory Governments.

2. Prior to the effective date of this Agreement, the Government of the United States shall assist the Government of Palau in determining an investment strategy which accords with the terms of this Agreement and the objectives of Sections 211(a) and 211(f) of the Compact.

Article VII

Effective Date, Amendment and Duration

Agreement Between the
Government of the United States
and the
Government of Palau
Regarding Economic Assistance
Concluded Pursuant to Section 211(f) of
the Compact of Free Association

DONE AT Palau, THIS 10 DAY OF Jan, ONE THOUSAND, NINE HUNDRED EIGHTY-~~FIVE~~ 6

FOR THE GOVERNMENT

OF

THE UNITED STATES OF AMERICA

DONE AT Palau, THIS 10 DAY OF Jan, ONE THOUSAND, NINE HUNDRED EIGHTY-~~FIVE~~ 6

FOR THE GOVERNMENT

OF

THE REPUBLIC OF PALAU

Article VII

Effective Date, Amendment and Duration

1. This Agreement shall come into effect simultaneously with the Compact.

2. This Agreement may be amended at any time by the mutual consent of the Government of the United States and the Government of Palau.

3. This Agreement shall remain in effect for a term coincident with Section 211(f) of the Compact and thereafter as mutually agreed by the Government of the United States and the Government of Palau.

Agreement Regarding
Construction Projects in Palau
Concluded Pursuant to Section 212(a) of
the Compact of Free Association

Agreement Regarding Construction Projects in Palau Concluded Pursuant to Section 212(a) of the Compact of Free Association

TABLE OF CONTENTS

Article I......Definitions................................1-1

Article II.....Legal Status of United States Programs and Related Services, of United States Federal Agencies, Contractors, Personnel and of the United States Armed Forces in Palau......................................2-1

Article III....The Construction Project Program...........3-1

Article IV.....Timing and Execution of the Construction Project Program...........................4-1

Article V......Consultation...............................5-1

Article VI.....Substitution and Scheduling of Projects....6-1

Article VII....Local Labor and Training...................7-1

Article VIII...Operations and Maintenance.................8-1

Article IX.....Effective Date, Amendment and Duration.....9-1

Annex A........List and Description of Construction Projects to be Completed..................A-1

Annex B........Methods of Construction and Execution and Completion Dates.......................B-1

Agreement Regarding Construction Projects in Palau Concluded Pursuant to Section 212(a) of the Compact of Free Association

This Agreement sets forth the undertakings of the Government of the United States and the Government of Palau with respect to the construction program and projects undertaken by the Government of the United States in Section 212(a) of the Compact of Free Association.

Article I

Definitions

Article I

Definitions

1. The Definition of Terms contained in Article VI of Title Four of the Compact of Free Association (hereinafter "the Compact") is incorporated in this Agreement.

2. The Definitions of Terms set forth in the following additional agreements between the Government of the United States and the Government of Palau are incorporated in this Agreement:

(a) The Agreement Regarding Federal Programs and Services Concluded Pursuant to Article II of Title Two and Section 232 of the Compact;

(b) The Agreement Regarding the Military Use and Operating Rights of the Government of the United States in Palau Concluded Pursuant to Sections 321 and 323 of the Compact;

(c) The Agreement Regarding the Status of Forces Concluded Pursuant to Section 323 of the Compact.

3. For the purpose of this Agreement only, the following terms shall have the following meanings:

(a) "Civic Action Team" or "CAT" is a unit consisting of members of the Force which is specifically organized to undertake civic action and community development projects.

(b) "CAT Base Camp" is a defense site as set forth in paragraph 2(g) of Article I of the Status of Forces Agreement.

(c) "United States contractors" means the same as the definition for "United States contractors" set forth in paragraph 2(b) of Article I of the Agreement Concluded Pursuant to Section 232 of the Compact except the reference to Title Two of the Compact is understood to include Section 212(a).

Article II

Legal Status of United States Programs and Related Services, of United States Federal Agencies, Contractors, Personnel and of the United States Armed Forces in Palau

Article II

Legal Status of United States Programs and Related Services, of United States Federal Agencies, Contractors, Personnel and of the United States Armed Forces in Palau

1. The provisions of the Status of Forces Agreement shall apply.

2. The provisions of the Federal Programs and Services Agreement, which are hereby incorporated into this Agreement, shall be applicable in determining the legal status of United States Federal Agencies, contractors and other personnel and persons defined therein who are in Palau for any period of time in accordance with the purposes of this Agreement.

Article III

The Construction Project Program

Article III

The Construction Project Program

1. The Government of the United States and the Government of Palau agree that the specification of construction projects and related material attached as Annex A of this Agreement constitutes the description of the projects which the Government of the United States shall complete in Palau pursuant to Section 212(a) of the Compact.

2. When the construction projects are completed in the manner specified in Annex A of this Agreement, the Government of the United States shall have discharged its responsibility under Section 212(a) of the Compact and this Agreement.

3. Paragraph 1 of Article VIII of the Agreement Regarding the Military Use and Operating Rights of the Government of the United States in Palau shall apply to all activities undertaken by the Government of the United States in the discharge of its obligations under Section 212(a) of the Compact and pursuant to this Agreement.

4. Without transfer or reimbursement of funds, the Government of Palau shall provide to the Government of the United States, on a temporary basis:

(a) access by the Government of the United States and its duly appointed agents and contractors to any land and water areas adjacent to or within the sites specified in Annex A of this Agreement upon which construction projects will be executed, including easements to those sites;

(b) uninterrupted use of the construction sites for the period necessary to prepare the sites and execute the specific projects associated with them.

5. The Government of Palau shall hold harmless the Government of the United States, its agents, personnel and contractors from any claims with respect to the alteration of any land or water areas under the jurisdiction of the Republic of Palau, be they held in community, private, governmental or other ownership, by the Government of the United States in connection with Section 212(a) of the Compact and this Agreement and to the extent that the actions of the Government of the United States, its agents, personnel and contractors are consistent with the provisions of Section 212(a) of the Compact, paragraph 1 of Article VIII of the Agreement Regarding the Military Use and Operating Rights of the Government of the United States in Palau and this Agreement.

Article IV

Timing and Execution of the Construction Project Program

Article IV

Timing and Execution of the Construction Project Program

1. The Government of the United States shall promulgate a project completion schedule which specifies project initiation dates, project review benchmarks and anticipated completion dates for each of the projects specified in Annex A. This schedule shall be attached to this Agreement as Annex B and shall be an integral part of this Agreement.

2. The Government of the United States shall appoint a program manager for the construction project program who shall have a representative resident in Palau for the period of Government of the United States responsibilities under this Agreement.

3. Subject to the terms of this Agreement and after consultation with the Government of Palau, the Government of the United States shall determine methods for the execution of the projects specified in Annex A. Such methods may include construction contracts, the use of military construction units including Civic Action Teams, or any combination of the two and shall be set forth in Annex B on a project-by-project basis.

4. Upon certification to the Government of Palau by the Government of the United States, the Government of Palau shall arrange for the entry into Palau of such persons and equipment as the Government of the United States may require for the purposes of this Agreement. The entry into and positioning of such persons and equipment in Palau, as well as the transactions of the Government of the United States generally in accordance with this Agreement, shall be covered by the terms of the Status of Forces Agreement, the Agreement Regarding the Military Use and Operating Rights of the Government of the United States in Palau, or the Federal Programs and Services Agreement, as appropriate.

Article V

Consultation

Article V

Consultation

1. There is established a Construction Review Committee consisting of the United States program manager and of a representative designated in writing by the Government of Palau. The Construction Review Committee shall meet semiannually for consultations which will involve a review of project status and, generally, the implementation of this Agreement. The Construction Review Committee may also meet at any time at the request of the Government of Palau or the Government of the United States. The United States program manager, if unable to attend a special meeting, may designate the United States resident manager to represent him at such special meetings.

2. Any question concerning the terms of this Agreement, or activities undertaken pursuant to the Agreement, shall be referred to the Construction Review Committee for review and resolution. Should the Construction Review Committee fail to resolve such question, it shall be forwarded to the United States Resident Representative referred to in Article V of Title One of the Compact for resolution by the Government of the United States and the Government of Palau.

Article VI

Substitution and Scheduling of Projects

Article VI

Substitution and Scheduling of Projects

1. The Government of the United States or the Government of Palau may at any time propose to the other the substitution of one or more projects for one or more of the projects specified in Annex A of this Agreement. Amendment of Annex A shall be made exclusively by mutual agreement between the Government of the United States and the Government of Palau.

2. The Government of Palau may propose amendments to the project implementation schedule contained in Annex B of this Agreement at any time. The Government of the United States shall make every effort to accommodate such proposals. Except as otherwise provided in Annex B, any amendment to Annex B shall be by the mutual agreement of the Government of the United States and the Government of Palau .

Article VII

Local Labor and Training

Article VII

Local Labor and Training

1. In the execution of those projects specified in Annex A of this Agreement which will be contracted to commercial construction firms, the United States program manager shall make special efforts, consistent with United States contracting procedures, to select Palauan construction firms or firms which employ citizens of Palau. In order to facilitate these efforts, actions undertaken by the Government of the United States pursuant to this Agreement shall not be restricted as to source of procurement of materials, equipment or contractors. The Construction Review Committee shall develop and keep current a standing list of Palauan construction firms and firms which employ and train citizens of Palau and shall inform them in a timely fashion of official bid requests from the United States program manager.

2. In the development of proposals for commercial construction firms with respect to the projects which the Government of the United States determines are to be contracted, the United States program manager shall make every reasonable effort to include requirements for the hiring and training of citizens of Palau by the construction firms selected to perform the contracts. The United States program manager shall encourage United States contractors to provide on-the-job training of citizens of Palau, especially those who volunteer to work with or without compensation with such contractors or who are nominated to work with United States contractors as part of training programs sponsored by the Government of Palau.

Article VIII

Operations and Maintenance

Article VIII

Operations and Maintenance

1. The Government of the United States shall, upon completion of each construction project specified in Annex A, transfer it to the ownership and use of the Government of Palau. The Government of Palau is responsible for the operation and maintenance of completed construction projects.

2. The United States program manager, in conjunction with the Construction Review Committee, shall develop a plan for the economic operation and maintenance of each construction project specified in Annex A. Each operations and maintenance plan shall be made available to the Government of Palau upon completion of the construction project to which it refers and shall specify optimal operational costs and personnel and equipment levels and shall also set forth a methodology for maintenance to a degree of detail sufficient for use by the Government of Palau in its development of official program documents, including its official overall economic development plan, for the subjects addressed.

Article IX

Effective Date, Amendment and Duration

Article IX

Effective Date, Amendment and Duration

1. This Agreement shall come into effect simultaneously with the Compact.

2. This Agreement may be amended at any time by the mutual consent of the Government of the United States and the Government of Palau.

3. This Agreement shall remain in effect for a term coincident with Section 212(a) of the Compact. This Agreement may be terminated earlier than the date of expiration of Section 212(a) of the Compact upon fulfillment by the Government of the United States of its obligations undertaken pursuant to Section 212(a) of the Compact and this Agreement.

Agreement Regarding Construction Projects in Palau Concluded Pursuant to Section 212(a) of the Compact of Free Association

IN WITNESS WHEREOF, the undersigned, duly authorized for the purpose, have signed the present agreement.

DONE at Palau, in duplicate, this 10 day of Jan., one thousand, nine hundred eighty-~~five~~ six 80

FOR THE GOVERNMENT

OF

THE UNITED STATES OF AMERICA

- - - - - - - - - -

FOR THE GOVERNMENT

OF

THE REPUBLIC OF PALAU

Annex A

1. The Government of the United States will construct on Babelthuap Islands a fifty-three mile road system, the exact routing of which is to be determined by mutual agreement following a technical survey. Except where natural constraints prohibit, the roadway will be eighteen feet wide, with a double bituminous surface treatment and two foot shoulders on each side. Quarry and dredge sites will be identified by the Government of Palau. These sites, and the products thereof, will be provided to the Government of the United States without taxation. In view of the economic benefits which are expected to develop from this project, it is the intention of the Government of Palau that necessary coral and rock be provided without charge to the Government of the United States. However, it is understood that this may not be possible due to conditions beyond the control of the Government of Palau. Those instances will be resolved on a case-by-case basis by the Construction Review Committee or by the respective Governments as necessary.

2. Contributions to the capital account made by the Government of the United States under Section 212(b) of the Compact will be dovoted by the Government of Palau toward accomplishment of the Basic Infrastructure Requirements set forth in the attachment to this Annex, or toward other projects selected by the Government of Palau.

Annex B

¼Annex B, to be negotiated and promulgated according to paragraph 1 of Article IV of this Agreement, shall set forth the methods of construction and execution and completion dates, on a project-by-project basis, of the projects listed in Annex A. Annex B is specifically defined in paragraph 1 of Article IV of this Agreement.§

FEDERAL PROGRAMS AND SERVICES AGREEMENT

Concluded Pursuant to
Article II of Title Two and Section 232 of
The Compact of Free Association

Federal Programs and Services Agreement Concluded Pursuant to Sections 221, 224, 225 and 232 of The Compact of Free Association

TABLE OF CONTENTS

Article I.....Definitions........................Pg. 1-1 to 1-2

Article II....Legal Status of Programs and Related Services, Federal Agencies, United States Contractors and United States Personnel............Pg. 2-1 to 2-4

Article III...Employment of Labor................Pg. 3-1

Article IV....Entry and Departure................Pg. 4-1

Article V.....Implementation of Section 225 of the Compact and Title to Property........................Pg. 5-1 to 5-2

Article VI....Postal Services and Related Programs...................Pg. 6-1 to 6-4

Article VII...Weather Service and Related Programs...................Pg. 7-1 to 7-2

Article VIII..Civil Aviation Safety Service and Related Programs...............Pg. 8-1 to 8-3

Article IX....Civil Aviation Economic Services and Related Programs...............Pg. 9-1 to 9-4

Article X.....Education and Health Care Services and Programs in Implementation of Section 221 (b) of the Compact.....Pg. 10-1 to 10-4

Article XI....Transition and Termination of Services and Related Programs......Pg. 11-1

Article XII...Effective Date, Amendment and Duration.......................Pg. 12-1

Agreed Minutes...................................Pg. A-1

Federal Programs and Services Agreement Concluded Pursuant to Article II of Title Two and Section 232 of The Compact of Free Association

This Agreement is concluded by the Signatory Governments and sets forth their respective authority and responsibility for the provision of the services and related programs authorized by Article II of Title Two and Section 232 of the Compact of Free Association (the Compact).

Article I

Definitions

Article I

Definitions

1. The Definition of Terms set forth in Article VI of Title Four of the Compact is incorporated into this Agreement.

2. For the purposes of this Agreement only, the following terms shall have the following meanings:

(a) "Federal agency" refers to each authority of the Government of the United States which provides services and related programs in accordance with Article II of Title Two and Section 232 of the Compact, including any successor agency or agencies, and does not include:

(1) The Armed Forces of the United States as defined in Article I of the Status of Forces Agreement Concluded Pursuant to Section 323 of the Compact; or

(2) The Resident Representative officer and office established by the Government of the United States pursuant to Article V of Title One of the Compact.

(b) "United States contractors" means the legal entities, including corporations and natural persons, present in Palau for the purpose of executing their contracts with the Government of the United States, or subcontracts of such contracts, in support of the Federal agencies acting pursuant to Article II of Title Two and Section 232 of the Compact and who are designated as such by the Government of the United States. The term "United States Contractors" does not include local contractors.

(c) "Local Contractors" means the legal entities, including corporations and natural persons organized under the laws of and who are in, Palau.

(d) "United States personnel" means anyone who is included in any of the following categories:

(1) "civilian employees" -- all Federal agency personnel, notwithstanding their citizenship or nationality, except local hire personnel, who are in Palau, and who are in the employ of or serving with a Federal agency and who are employed in any of the activities of such Federal agency.

(2) "contractor personnel" -- natural persons, who are United States citizens or nationals or United States permanent resident aliens, except local hire personnel, who are in Palau, and who are United States contractors or officers or employees of United States contractors; or

(3) "dependents" -- the spouses and children of persons included in paragraphs 2(d)(1) or 2(d)(2) and, while members of the household of such persons, other relatives or wards of such persons or their spouses.

(e) "third country contractor personnel" means natural persons other than United States personnel or local hire personnel who are in Palau and who are United States contractors or officers or employees of United States contractors or dependents of any of them.

(f) "local hire personnel" means citizens and nationals of Palau who are employed in Palau, by Federal agencies or United States contractors.

(g) "rawinsonde" means a method of upper-air observation consisting of an evaluation of the wind speed and direction, temperature, pressure, and relative humidity aloft by means of a balloon-borne radiosonde tracked by a radar or radio direction-finder. If radar is used for tracking, a radar target is also attached to the balloon. Thus, it is a radiosonde observation combined with a type of rawin observation.

ARTICLE II

Legal Status of Programs and Related Services, Federal Agencies, United States Contractors and United States Personnel

Article II

Legal Status of Programs and Related Services, Federal Agencies, United States Contractors and United States Personnel

1. The provision by the Government of the United States of any programs and related services to the Government of Palau, as may be appropriated by the United States Congress, pursuant to this Agreement shall be contingent upon compliance by the Government of Palau with the provisions of Sections 173 and 225 of the Compact. The Government of the United States shall, on an annual basis, seek the appropriation of such funds.

2. (a) The Government of the United States, Federal agencies and United States contractors and their respective assets, income and other property shall be exempt from all direct taxes and shall be exempt from all customs duties on the import and export of articles required for the official functions and personal use of United States personnel and official offices established in Palau by a Federal agency. The Government of the United States and Federal Agencies shall be exempt from all customs restrictions, inspection and examination on such import and export.

(b) Income received by United States personnel for services with or employment by the Federal agencies or United States contractors, or from sources outside the territory of the Government of Palau, are exempt from any tax, fee or other charge imposed by the Government of Palau, except that United States contractor personnel and dependents who are also United States contractor personnel are not exempt from a personal income tax generally applicable within Palau up to a level of five percent of their annual income derived from their employment in Palau, by United States contractors.

3. United States personnel may import into and export from Palau furniture, household goods and personal effects for their private use, including all forms of privately owned land, sea and air transportation, free from customs duties, license requirements and other import and export taxes, fees or charges.

4. Animals and plants, including fruits and vegetables, imported by United States personnel, subject to the provisions of this Article, and by third country contractor personnel shall be subject to the laws and regulations of Palau, governing the inspection of and restrictions on such importations.

5. The Federal agencies, in cooperation with the Government of Palau, shall take appropriate measures, including inspection, to prevent importation of contraband and to prevent abuse of privileges granted to United States personnel under this Article.

6. Should property imported into Palau under the exemptions provided by this Article subsequently be transferred to a person not entitled to such exemptions, such person shall be liable for import duties and other charges according to the laws and regulations of the Government of Palau.

7. Civilian employees shall have the privileges and immunities of a resident representative as set forth in Sections 152(b) and (e) of the Compact, and immunity from civil and criminal process and liability relating to or resulting from any wrongful act or omission done within the scope and in the performance of official duty, except insofar as such immunity is expressly waived by the Government of the United States. Civilian employees who have been arrested in connection with an offense not related to the performance of their official duties, shall be released to the custody of the resident representative or the head of their agency in Palau, unless in the case of a grave crime a competent judicial authority decides that such civilian employees shall remain subject to detention by the local authorities.

8. (a) The authorities of the Federal agencies shall pay just and reasonable compensation in settlement of meritorious, noncontractual claims arising out of the wrongful acts or omissions occurring subsequent to the effective date of this Agreement in Palau of the Federal agencies themselves, or of their civilian and local hire personnel, if such act or omission occurred within the scope and in the performance of official duty of the civilian and local hire personnel. All such claims shall be processed and settled by the respective Federal agencies in accordance with the laws and regulations of the United States. Any such claims which cannot be settled as provided for in this paragraph, and which are espoused by the Government of Palau, shall be disposed of pursuant to the provisions of Article II of Title Four of the Compact.

(b) Contractual claims against the Federal agencies shall be settled in accordance with the disputes clause of the contract if any, and the laws of the United States relating to the resolution of such disputes. In the absence of such clause, the claims shall be presented to the appropriate United States authority; if no settlement is reached, the appropriate court of the United States shall have jurisdiction over such claims.

(c) The Government of Palau shall present claims arising under this Article to the United States Resident Representative who shall forward such claims to the Competent Authority of the Federal Agency concerned.

9. Except as otherwise expressly provided in this Agreement, any dispute arising under this Agreement shall be disposed of exclusively pursuant to the provisions of Article II of Title Four of the Compact.

(a) The Federal agencies shall not be subject to the jurisdiction of the courts of the Government of Palau under Article VII of Title One of the Compact for any claim under paragraph 8 of this Article arising in Palau from the acts or omissions of the Federal Agencies occurring subsequent to the effective date of the Compact. All such claims shall be processed and settled exclusively in accordance with this Article.

(b) Any judgment presented for certification to the United States Court of Appeals for the Federal Circuit pursuant to Section 174 of the Compact of Free Association shall be deemed manifestly erroneous as to law if the claim upon which such judgment is based would have been barred by the statute of limitations if such claim had been brought in a court of the United States.

10. For the purposes of carrying out the provisions of this Agreement, Competent Authorities shall be designated by each of the Signatory Governments. The Competent Authorities of the Government of the United States and the Competent Authorities of Palau may communicate directly with each other. In the case of the Government of the United States the Competent Authority shall be the head of or designee of the Federal Agency concerned who shall be designated in writing to the Government of Palau.

11. The Government of Palau shall accept as valid, without a test or fee, the operator's permit or license or military driving permit issued to United States personnel or third country contractor personnel by the Government of the United States, the Governments of the States of the United States of America, its territories and possessions, the District of Columbia, the Commonwealth of Puerto Rico, or the Commonwealth of the Northern Mariana Islands.

12. Official vehicles of the Federal Agencies, vehicles owned or operated by United States contractors, and privately owned vehicles of United States personnel shall be identified by individual markings or license plates issued by the Government of the United States, the Governments of the States of the United States of America, its Territories and possessions, the District of Columbia, the Commonwealth of Puerto Rico, or the Commonwealth of the Northern Mariana Islands. However, the Government of the United States may use local individual markings or license plates in Palau.

(a) Official vehicles shall not be subject to the registration or safety inspection laws of the Government of Palau.

(b) The Armed Forces of the United States may register vehicles of United States contractors and United States personnel which are not official vehicles, and may inspect such vehicles applying safety standards of general applicability in Palau. Vehicles so registered and inspected shall be exempt from the registration and safety-inspection laws of the Government of Palau.

13. For purposes of this Article the term "vehicles" includes all forms of land, sea and air transportation.

14. Any reference in this Agreement to a provision of the law of the United States constitutes the incorporation of the language of such provision into this Agreement as such provision is in force on the effective date of this Agreement or as it may be amended thereafter on a nondiscriminatory basis according to the constitutional process of the United States.

15. The Government of the United States may use local telecommunication systems and, in determining its uses of such systems, shall take into consideration the cost and security of such systems and the availability of alternate United States systems. The Government of the United States shall encourage the use of local telecommunication systems by United States personnel for nonofficial purposes. To the extent that the Government of Palau establishes telecommunications systems compatible with existing United States Government installations, the Government of the United States and the Government of Palau may enter into negotiations for a use arrangement which includes normal billing procedures.

Article III

Employment of Labor

Article III

Employment of Labor

1. In providing services and related programs in Palau pursuant to Section 221 of the Compact, the Federal agencies, United States contractors and local contractors:

(a) may employ persons possessing requisite skills and qualifications. Employment preference shall be given, without discrimination, to citizens, nationals and permanent resident aliens of Palau, in their respective jurisdictions, and of the United States. In the employment of such persons pursuant to the preferences set forth in this paragraph, the Federal Agencies and the United States contractors shall exercise their best efforts to employ persons present in Palau.

(b) shall utilize without discrimination, consistent with the laws and regulations of the United States, qualified local contractors and contractors which are legal entities of the United States. The Federal Agencies and United States contractors shall ensure that the specifications and instructions for contract bids shall permit such free and full competition as is consistent with the procurement of the goods and services needed by the Government of the United States.

2. Prior to the employment of third country personnel or the utilization of third country contractors, the Government of the United States shall notify the Government of Palau and shall consult, if requested, with that Government as to the availability of qualified local hire personnel or qualified local contractors.

3. The laws and regulations of Palau shall not apply to the terms and conditions of employment of United States personnel by Federal agencies, or United States contractors. The Government of Palau shall not require United States personnel, third country contractor personnel or United States contractors to obtain any license, permit or certificate, or to undergo any examination, in connection with the performance of their duties on behalf of Federal agencies.

4. In the employment of local hire personnel by the Federal agencies and United States contractors, the Government of the United States shall adopt measures consistent with the standards of local labor laws to the extent they are compatible with laws, regulations and operational requirements of the United States.

Article IV

Entry and Departure

Article IV

Entry and Departure

1. The Government of the United States may bring into Palau:

(a) United States personnel and United States contractors; and

(b) Third country contractor personnel in a manner consistent with those laws of Palau, relating to the exclusion of individual, undesirable aliens and taking into account paragraph 5 of this Article and Article III of this Agreement.

2. United States personnel shall be exempt from the passport and visa laws and regulations of Palau. Taking into account paragraph 1(b) of this Article and Article III of this Agreement applications of third country contractor personnel for visas shall be granted or denied expeditiously. All such personnel shall comply with medical immunization requirements of Palau.

(a) No United States personnel or third country contractor personnel shall acquire any right to permanent residence or domicile solely as a result of their being United States personnel or third country contractor personnel.

(b) United States personnel shall be exempt from laws and regulations of Palau on the entry, departure, registration and control of aliens and foreign agents.

3. Upon entry into or departure from Palau, United States personnel shall have in their possession official orders or documents certifying the status of the individual or group. Such orders or documents shall be shown on request to the appropriate authorities.

4. For the purpose of their identification while in Palau, United States personnel ten years of age or older shall have in their possession a personal identification card authorized by the Government of the United States which shall show the name, date of birth, status, and photograph of the bearer. Such card shall be shown on request to the appropriate authorities.

5. If the Government of Palau requests the removal from Palau, of any United States personnel or any third country contractor personnel, the request shall be directed to the United States resident representative, who shall consult with the Government of Palau on the appropriate action to be taken regarding removal. If the Government of the United States and the Government of Palau so determine, the person whose removal has been requested shall immediately become subject to the jurisdiction of the Government of Palau in accordance with its laws.

6. Transportation costs attendant to the departure and removal of third country contractor personnel shall be the responsibility of the Government of the United States.

Article V

Implementation of Section 225 of the Compact and Title to Property

Article V

Implementation of Section 225 of the Compact and Title to Property

1. Specific arrangements for the establishment and use by the Government of the United States of facilities or areas for Federal agencies in Palau shall be set forth in Exchanges of Notes, which, when signed, shall be annexed to this Agreement as Annex A.

2. If, in the exercise of its authority and responsibility under Section 221 of the Compact, the Government of the United States requires the use of facilities or areas in Palau in addition to or in place of those for which specific arrangements are concluded pursuant to the exchanges of notes included in Annex A of this Agreement, it may request the Government of Palau to satisfy those requirements through leases or other arrangements. That Government shall sympathetically consider any such request and shall establish suitable procedures and provide a prompt response to the Government of the United States.

3. If the Government of Palau requires for some other purpose the use of facilities or areas which have been provided the Government of the United States pursuant to this Agreement, the Government of Palau shall request the Government of the United States to accept equivalent facilities or areas. The Government of the United States shall sympathetically consider any such request and provide a prompt response. Any pertinent agreement shall be effected in accordance with paragraph 2 of Article XII of this Agreement by an amendment to the Exchanges of Notes included in Annex A of this Agreement.

4. All property for which the Government of the United States determines that it has a continuing requirement in order to carry out its authority and responsibility pursuant to Section 221 of the Compact, title to which therefore remains vested in the Government of the United States pursuant to Section 234 of the Compact, is set forth in the separate agreement in implementation of Section 234 of the Compact.

5. Title to improvements to real property or to any item of equipment or other personal property hereinafter furnished, acquired, supplied, constructed or purchased by or with funds provided by the Government of the United States in connection with the programs and related services set forth in this Agreement is vested in the Government of the United States, except where expressly sold or otherwise conveyed.

6. Upon relinquishing facilities or areas designated for Federal agency use, or a portion thereof, whether at the termination of a specific service and its related programs or at an earlier date, the Government of the United States shall not be obligated to restore any such site or portion thereof to its former condition, or to make

compensation in lieu of such restoration. The Signatory Governments may otherwise agree, based on considerations including the existence of conditions substantially or materially hazardous to human life, health and safety.

7. The Government of the United States has the right to remove any installations or improvements which it has constructed on an area designated for Federal agency use. If any installations or improvements which were constructed at the expense of the Government of the United States are to be left behind after relinquishing facilities or areas designated for Federal agency use, or a portion thereof, the Government of Palau and the Government of the United States shall consult to determine the residual value, including scrap value, if any, of any such installations or improvements to the Government of Palau and to agree upon an appropriate method of compensating the Government of the United States for such residual value.

8. Except as may be otherwise expressly agreed, the Government of the United States, Federal agencies and United States contractors shall retain title to equipment, materials and other movable property brought into or acquired by them in Palau and may remove such property at any time from Palau, or dispose of it therein.

Article VI

Postal Services and Related Programs

Article VI

Postal Services and Related Programs

1. The Government of Palau shall assume responsibility pursuant to its laws and regulations for all local postal services.

2. The Government of Palau shall be responsible for all its postal staff, facilities and equipment.

3. From the effective date of this Agreement until its first anniversary, salaries for United States Postal Service (USPS) employee positions in Palau shall be paid by the USPS, without reimbursement by the Government of Palau, to the extent that employee costs remain at the level the USPS would have expended to maintain the level of service available in Palau in the year prior to the effective date of this Agreement.

4. Prior to the first anniversary of the effective date of this Agreement, any postal employee serving in Palau who was a USPS employee on the effective date of this Agreement shall have the right to transfer to a position of comparable pay level at a facility outside Palau, as follows:

(a) the employee may choose to transfer to a facility designated by the USPS with reimbursement of moving expenses as provided in the USPS Methods Handbook M-9, "Travel"; or

(b) the employee may choose to transfer to an available position designated by the USPS in a location chosen by the employee at the employee's own expense.

5. Six months prior to the first anniversary of the effective date of this Agreement, the Government of Palau shall offer comparable positions, as determined by that Government, to all employees referred to in paragraph 4 of this Article serving in post offices located in Palau, who do not elect to transfer to another location pursuant to paragraph 4 of this Article. Such employees shall notify the Government of Palau, within thirty days after such offer, whether they intend to accept such position. Such offer and the employee's election in response thereto shall not alter the employee's status under paragraph 3 of this Article prior to the first anniversary of the effective date of this Agreement.

6. On the effective date of this Agreement the USPS shall, without compensation, turn over to the Government of Palau all USPS facilities and equipment, in good repair and workable condition, in use in Palau, as of that date.

7. The Governments of Palau shall issue postage stamps and other prescribed postal indicia which shall be used for prepayment of postage rates and other postal charges on all mail originating in its territory, except for mail sent through the military postal system

provided for in Article VII of the Status of Forces Agreement Concluded Pursuant to Section 323 of the Compact of Free Association.

8. The USPS shall provide the following services for Palau for a period of fifteen years commencing on the effective date of this Agreement without compensation by the Government of Palau; provided that the provision of such services shall be based upon reimbursement of the USPS from funds appropriated by the United States Congress in implementation of this Agreement:

(a) conveyance of mail, at levels of service, including classes and special services, equivalent to those available to the Trust Territory of the Pacific Islands during the year prior to the effective date of this Agreement, to and from the designated exchange offices in Palau; and

(b) dispatch, documentation, statistical, accounting, and settlement operations in connection with the international exchange of such mail.

9. The Government of Palau shall undertake to protect the postal services provided by the Government of the United States from exploitation for the monetary gain of private or government organizations or of individuals or of commercial enterprises, including the posting of bulk mail, books, catalogues, goods or materials. The Government of the United States shall provide mail service pursuant to this Agreement with the understanding that the volume of mail may increase in proportion to population increases and ordinary growth of local commercial enterprise. Should an increase in the volume of mail of twenty percent or more within a twelve-month period be anticipated or experienced by the Government of Palau, the Government of Palau shall enter into a separate agreement with the Government of the United States which shall establish the amount of reimbursement to be paid to the Government of the United States for the volume in excess of twenty percent.

10. The Government of Palau shall ensure that all mail turned over to the USPS for conveyance to the United States or other countries complies with the postal conventions to which the United States adheres and with the postal laws and regulations of the United States.

11. Pursuant to this Agreement, mail shall be exchanged at the exchange offices designated in this paragraph and outgoing mail from Palau shall be merged with United States mail for conveyance to the United States or to other countries. Such outgoing mail from Palau shall be treated as though it were mail from the United States for dispatch, documentation, statistical, accounting and settlement operations with other countries. The designated exchange office shall be located at Koror, Palau.

12. Until the effective date of the Compact, United States domestic postal rates shall apply to mail exchanged between addresses in Palau and between those addresses and addresses in the United States. After the effective date of the Compact, the USPS may establish cost-related rates for mail from the United States to Palau. Such United States-established rates shall establish the ceiling and United States domestic rates shall establish the floor for postage rates for mail from Palau to the United States and to Palau. International postal rates applicable in the United States shall apply to mail from Palau addressed to other countries.

13. The Government of Palau may determine postal rates for internal mail to local addresses within Palau,.

14. Revenues derived from the sale of stamps issued by the Government of Palau for postal services or for philatelic purposes shall be retained by the Government of Palau. The Government of Palau agrees to provide, pursuant to their constitutional processes, adequate funding for the operation of their postal services in a manner which will allow the USPS to perform its responsibilities under this Agreement in an efficient and economical manner, with any disputes arising under this paragraph to be resolved pursuant to Article II of Title Four of the Compact.

15. Liability for the loss of a registered or insured item shall rest with the Government which, having received it without comment, cannot prove either delivery to the addressee or correct transfer to another administration. Pursuant to paragraph 19 of this Article, the Government of the United States shall, upon request, assist the Government of Palau in developing local practices and procedures to fulfill the requirements of this paragraph.

16. The Government of Palau shall not impose any terminal dues or other charges on the USPS or the postal administrations of any other government for mail conveyed to Palau by the USPS pursuant to this Agreement.

17. Postal Money Orders shall be issued in Palau on USPS forms and in accordance with USPS regulations. All amounts collected in connection with such issuance, including the Postal Money Order fees, shall be remitted to the USPS. Postal Money Orders paid in Palau shall be deposited for the credit of the Government of Palau in accordance with prescribed procedures. Such Postal Money Orders shall follow the normal bank clearance process for final payment by the USPS. The USPS shall be responsible for providing all necessary forms and for reconciling the Postal Money Order accounts. The Government of Palau may terminate the category of service set forth in this paragraph in the same manner as this Article may be terminated in accordance with Article XII of this Agreement.

18. The USPS and the Government of Palau shall issue stamps to commemorate the inauguration of the new political status of free association between the United States and Palau. The Government if Palau shall retain all revenues from the sale of the stamps it issues.

19. Pursuant to this Agreement the USPS shall provide, without compensation, such technical assistance, including technical assistance to provide for the orderly transfer of postal responsibilities, and employee training as the USPS and appropriate officials authorized to act on behalf of the Government of Palau mutually agree to be necessary and appropriate. The USPS shall provide expedited training at no cost to Palau for the replacement of employees who transfer pursuant to paragraph 4 of this Article so that the Government of Palau can continue to execute properly their postal responsibilities pursuant to this Agreement. In addition, appropriate officials of the Government of Palau shall consult with the USPS with regard to fiscal planning and postal administration for the purpose of promoting economical and efficient postal services and programs.

20. The obligations of the Governments signatory to this Agreement under this Article shall terminate fifteen years after the effective date of this Agreement. Prior to termination of this Agreement, the USPS and the Government of Palau shall enter into bilateral arrangements to establish mutually acceptable terms and conditions for the exchange of mail between the United States and Palau.

21. As mutually agreed, the United States shall assist the Government of Palau in acquiring membership in relevant international or regional postal organizations.

22. If, prior to the effective date of this Agreement, the Government of the United States and the Government of Palau have entered into a separate agreement for interim implementation of the postal services and programs provided for in this Agreement, the obligations of the Signatory Governments provided for in paragraphs 3, 4, 5, 6 and 19 of this Article shall be considered fully executed or shall be diminished to the extent such obligations have been discharged under such interim agreement prior to the effective date of this Agreement.

Article VII

Weather Services and Related Programs

Article VII

Weather Services and Related Programs

1. The National Weather Service of the United States, in cooperation with the United States Navy, shall provide weather services and related programs in Palau at the levels equivalent to those available to the Trust Territory of the Pacific Islands during the year prior to the effective date of the Compact.

2. These services and related programs shall be provided pursuant to:

(a) the provisions of 15 U.S.C. 311-329; the International Aviation Facilities Act 49 U.S.C. 1151 et seq.; and section 803 of the Federal Aviation Act of 1958 49 U.S.C. 1463;

(b) other provisions of the laws of the United States to the extent they expressly apply to the National Weather Service;

(c) weather treaties and other international weather agreements to which the United States is a party;

(d) applicable Executive Orders of the President of the United States; and

(e) implementing National Weather Service regulations.

3. The Government of Palau may issue weather forecasts under such terms as may be mutually agreed with the National Weather Service. The Government of the United States shall continue to provide public and aviation weather forecasts and severe weather warnings.

4. The Government of Palau may take such transitional actions as may be necessary to prepare for the establishment and support of its own weather service. Such transitional actions may be initiated at any time prior to termination of the Compact pursuant to Article IV of Title Four of the Compact or prior to termination of this Article pursuant to Article XII of this Agreement. The National Weather Service shall provide advice in the development of the weather service of Palau at the request of the Government of Palau.

5. The National Weather Service shall provide weather services and related programs pursuant to this Article, in part, through weather service offices established in Palau.

(a) As of the effective date of this Agreement all employees at Weather Service offices in Palau shall be employed in like positions by the Government of Palau,.

(b) The National Weather Service and the Government of Palau shall in an Exchange of Notes set forth the duties and qualifications of employees and provide procedures to reimburse the Government of Palau for materials and for salaries and other expenses incurred in the performance of these duties; and

(c) The Government of the United States shall reimburse the Government of Palau for costs incurred under this paragraph.

6. As required to implement the services and related programs provided pursuant to this Article or to meet technological change, the National Weather Service shall train employees of the Government of Palau assigned to weather stations. The Government of the United States shall reimburse the Government of Palau for costs incurred for training approved by the National Weather Service.

7. The National Weather Service shall inspect weather stations to assure the quality of meteorological operations.

8. The National Weather Service shall provide and maintain Weather Service offices pursuant to Article V of this Agreement, including meteorological observatories and other buildings, and shall maintain and replace meteorological and other equipment of the National Weather Service.

9. The National Weather Service shall provide the supplies required for the operation of its programs and related services.

10. Pursuant to Article III, Title One of the Compact, the radio operating frequencies in the bands 401-406 MHz and 1660-1700 MHz shall be protected by the Government of Palau in order to ensure their interference-free use for rawinsonde observations, in accordance with the provisions of Radio Regulations annexed to the International Telecommunication Convention (ISBN 92-61-0081-5). Other radio operating frequencies may be substituted for those set forth in this paragraph by mutual agreement of the Government of Palau and the United States.

11. The Government of Palau, in order to assure that they receive the most current meteorological information and that such information from them will be available on a global basis, shall provide continuing access to its telecommunications services, for meteorological traffic to and from Guam, or other points as may be designated by the Government of the United States.

Article VIII

Civil Aviation Safety Services and Related Programs

Article VIII

Civil Aviation Safety Services and Related Programs

1. The Government of the United States and the Government of Palau agree that the Federal Aviation Administration (FAA) shall provide aviation safety services in Palau in accordance with this Article with the common desire to:

(a) promote the common interests of the Government of the United States and the Government of Palau in fostering safe and efficient air service; and

(b) facilitate the orderly establishment of aviation safety statutory and regulatory regimes and aviation safety authorities by the Government of Palau.

2. On behalf of the Government of Palau, the Government of the United States shall provide aviation safety services in the Palau at levels equivalent to those available to the Trust Territory of the Pacific Islands during the year prior to the effective date of this Agreement as follows:

(a) en route air traffic services within that air space including Palau for which the Government of the United States has responsibility under the appropriate regional air navigation plan approved by the International Civil Aviation Organization (ICAO);

(b) flight inspection and ground certification of nondirectional beacons and distance-measuring equipment, and periodic review and evaluation of the need for, and the maintenance, modification, improvement or replacement of, nondirectional beacons, distance-measuring equipment and related support systems in Palau; and

(c) development and updating of instrument approach procedures, standard instrument departure procedures and standard terminal arrival routes for airports in Palau, and issuance of appropriate Notices to Airmen.

3. The Government of Palau, pursuant to Section 471(b) of the Compact, shall take all necessary steps to ensure the conformity of its laws, regulations and administrative procedures with the provisions of this Article. The aviation safety services specified under paragraph 2 of this Article shall be provided exclusively pursuant to treaties and other international agreements relating to aviation safety to which the United States is a party and the laws and regulations of the United States. The Governments of Palau:

(a) consistent with Resolution A23-11, Appendix N, Part II, Air Navigation of ICAO Assembly Resolutions in force as of October 7, 1980, U.N. Doc. 9349, assign and delegate to the Government of the United States sole authority and responsibility for providing aviation safety services as specified in paragraph 2(a) of this Article until such time as those responsibilities are transferred at the request of the Government of Palau, and with the approval of the ICAO, from the Government of the United States to the Government of Palau; and

(b) grant unobstructed access by FAA personnel and FAA equipment to the property on which the navigational and landing aids set forth in paragraph 2(b) of this Article are located.

4. The FAA shall provide technical assistance to the Government of Palau to develop civil aviation safety authorities and to assist the government of Palau in the administration of safety certification and related aviation safety programs. Such technical assistance shall be provided pursuant to implementing agreements to be negotiated from time to time between the Government of the United States and the Government of Palau. The FAA shall provide such technical assistance in accordance with the provisions of the Federal Aviation Act of 1958, 49 U.S.C. 1301 et seq. and the International Aviation Facilities Act, 49 U.S.C. 1151 et seq. The technical assistance provided by the FAA includes:

(a) continuing development of aviation safety statutes, regulations and aviation safety authorities;

(b) training, in the United States, of personnel designated by the Government of Palau; and

(c) the stationing of FAA personnel in Palau to provide continuing advice and guidance to aviation safety authorities at the request of the Government of Palau. Such advice and guidance may include assistance required for certification by the Government of Palau of airmen, aircraft, airports and air agencies, as the term "air agencies" is used in 49 U.S.C. 1427.

5. Pursuant to Article II, Title One, of the Compact, the Government of Palau shall protect radio frequency bands allocated in accordance with Article 5 of the Radio Regulations of the International Telecommunications Union to the aeronautical mobile, mobile, aeronautical fixed, fixed, aeronautical radio-navigation, and radio-navigation services in accordance with the provisions of Radio Regulations annexed to the International Telecommunication Convention, in order to ensure their use free of interference for these allocated purposes in support of civil aviation.

6. The Government of Palau, in order to ensure that they transmit and receive the most current meteorological information for civil aviation purposes and that such information provided by them shall be available on a global basis, shall provide continuing access to their

telecommunications services for meteorological traffic to and from Guam or other points as may be designated by the Government of the United States in consultation with the Government of Palau.

7. The Government of Palau, in order to ensure that they transmit and receive the most current flight movement and airmen information data for civil aviation purposes, and that such information received or provided by them will be available on a global basis, shall provide continuing access to their telecommunications services for flight movement and airmen information traffic to and from Guam or other entry points into the Aeronautical Fixed Service of the International Civil Aviation Organization as may be designated in accordance with the Convention on International Civil Aviation, Annex 10, Volumes 1 and 2, by the Government of the United States in consultation with the Government of Palau.

8. The Governm~~ent of t~~he United States and the Government of Palau shall from time to time enter into such agreements as may be necessary to implement subparagraphs (b) and (c) of paragraph 2 of this Article.

Article IX

Civil Aviation
Economic Services and Related Programs

Article IX

Civil Aviation Economic Services and Related Programs

1. The Government of the United States and the Government of Palau agree that the following provisions shall apply to the economic regulation of air services of Palau.

2. The Government of Palau shall exercise independent economic regulatory jurisdiction over air services to, from and within Palau, which for the purposes of this Agreement are points outside the United States, as the term "United States" is defined in 49 U.S.C. 1301(41).

3. In accordance with Section 124 of the Compact, the Government of the United States, if requested and as mutually agreed, shall negotiate or assist in negotiations for air rights with third countries on behalf of the Government of Palau.

4. The Civil Aeronautics Board, upon request, shall provide the following assistance to the Governments of Palau:

(a) preparation of statutory and regulatory proposals for the economic regulation of civil aviation;

(b) processing, in Washington, D.C., on behalf of and on the basis of procedures mutually agreed with the Government of Palau of applications from any person seeking authority from those governments to engage in air services to, from or within Palau, respectively; the power of ultimate disposition of such applications rests with the Government of Palau;

(c) training in the processing of air service applications, in Washington, D.C., of not more than two persons annually, and a total of not more than six persons during the life of this Agreement. The Government of Palau shall be responsible for travel, subsistence and similar expenses of its designated persons while in such training; and

(d) such other assistance as may from time to time be specifically agreed to by the Civil Aeronautics Board.

5. Subject to approval of the Congress of the United States, the Government of the United States shall establish:

(a) Until October 24, 1988 and thereafter if extended by the laws of the United States, eligibility of United States air carriers for subsidy compensation necessary to support essential air transportation, at a level determined by the Civil Aeronautics Board, between the United States and points in Palau receiving regularly scheduled air service by Continental Air Micronesia on August 26, 1982, and between such points in Palau. In determining the level of essential air transportation, the Civil Aeronautics Board shall take account of all air service, including connecting service, provided to Palau, including service by United States, Freely Associated State and all other carriers.

(b) A distinct classification of foreign air carrier, as the term "foreign air carrier" is defined in 49 U.S.C. 1301(22), to be known as "Freely Associated State Air Carrier." This classification shall apply exclusively to a carrier which:

(1) is organized under the laws of Palau; and

(2) has consent to such classification from the Government of Palau, and consent to such classification from the Government of the United States pursuant to standards adopted by the Government of the United States for such classification.

(c) Authority for the Civil Aeronautics Board to authorize Freely Associated States Air Carriers to carry local traffic between Guam, the Commonwealth of the Northern Mariana Islands, and Honolulu, and within the Commonwealth of the Northern Mariana Islands.

(d) Eligibility of Freely Associated State Air Carriers to receive subsidy compensation at a level determined by the Board in accordance with paragraph 5(a) of this Article either if no United States air carrier is available to provide the essential air transportation or if the subsidy required for the provision of essential air transportation by a Freely Associated State Air Carrier would be substantially less than the subsidy which would be paid to an available United States air carrier, provided that unilateral action by the Government of Palau under subparagraph 5(b)(2) of this Article shall impose no obligation on the Government of the United States to increase the level of such compensation.

(e) Authority for the Civil Aeronautics Board to require that any United States, Freely Associated State or other carrier which provides service in a subsidized market comply with specified service, rate or fare conditions as may be necessary or desirable to minimize subsidy without undue impairment of the service provided.

(f) Notwithstanding the provisions of 49 U.S.C. 1301(16), Air Micronesia, Inc. shall qualify as a U.S. citizen air carrier, within the meaning of 49 U.S.C. 1301(3), for so long as it continues to be (1) incorporated in the United States or its Territories or possessions, and (2) controlled by citizens of the United States or by a corporation or corporations controlled by citizens of the United States.

(g) Compensation determined by the Civil Aeronautics Board to be necessary to maintain essential air transportation shall be provided from funds specifically appropriated for compensation for service under paragraph 5(a) of this Article.

(h) The Civil Aeronautics Board shall adopt rules to implement the provisions of this paragraph as the Board in its discretion, deems appropriate.

6. Notwithstanding paragraph 2, the Government of Palau shall authorize, without restrictions or impairment, United States air carriers to operate air services to, through, beyond, within and between Palau and to establish tariffs applicable to such air services. The Government of the United States shall promptly notify the Government of Palau, of the filing with the Civil Aeronautics Board of any application by a United States air carrier for authority under the laws of the United States to operate air services pursuant to this paragraph. The Government of Palau shall designate competent authorities pursuant to Article II, paragraph 10, of this Agreement for the purpose of receiving such notice. The Government of Palau shall be accorded an opportunity to present its views which shall be considered in reaching any decision. Should a formal or informal proceeding be instituted by the Government of the United States in connection with any such application, the Government of Palau shall be made a party to such proceeding with full rights in accordance with the applicable procedural rules.

7. The Government of the United States shall sympathetically consider requests by the Government of Palau for negotiations of a bilateral air transport agreements between the Government of the United States and the Government of Palau. The Government of Palau and the United States shall, on the basis of reciprocity, exempt air carriers which are authorized by the government signatory to this Article to provide air services, from customs duties and taxes imposed by their national authorities, and shall not impose user charges which exceed an equitable proportion of the reasonable costs of providing the facilities, or which are discriminatory.

8. The Government of Palau may terminate the operation of any of four categories of economic services described in the subparagraphs of this Article and set forth below. Such partial termination, which may be effected in the same manner as this Article may be terminated in accordance with Article XII of this Agreement, may be exercised only for the categories listed below.

(a) Category 1 -- paragraph 4;

(b) Category 2 -- subparagraphs (a), (d) and (e) of paragraph 5;

(c) Category 3 -- subparagraph (c) of paragraph 5; or

(d) Category 4 -- subparagraphs (a), (b), (c), (d) and (e) of paragraph 5.

If the Government of Palau terminates the operation of the subparagraphs in Category 4, that Government may, in accordance with Article XII of this Agreement, also terminate the operation of paragraph 6 of this Article.

If the Government of Palau elects to terminate both the operation of the subparagraphs in Category 4 and the operation of paragraph 6 of this Article, the remaining provisions of this Article shall cease to be in effect two years after such termination, unless otherwise agreed by the Government of Palau, and the Government of the United States.

Article X

Implementation of Section 221(b) of the Compact

Article X

Implementation of Section 221(b) of the Compact

1. The Government of the United States recognizes the special needs of Palau, particularly in the fields of education and health care. The Government of Palau have determined that its special needs, particularly in the fields of education and health care, can be addressed through provision by the Government of the United States of a special block grant of assistance. In light of this determination and in implementation of Section 221(b) of the Compact, the Government of the United States shall assist that Government in meeting these special needs through provision of the assistance set forth in this Article.

2. The Government of the United States shall provide annually to the Government of Palau a special block grant to be used in accordance with the purposes set forth in paragraph 3 of this Article. The annual amount of this special block grant shall be $2 million.

3. The special block grant provided by the Government of the United States is divided into the program categories set forth in this paragraph. In any year, the Government of Palau may dedicate its overall block grant to any combination of these program categories subject to the guidelines set forth in paragraph 5 of this Article. The special block grant provided pursuant to Section 221(b) of the Compact and this Article is intended to complement the programs of the Government of Palau in the same program categories.

(a) Health Care Program Category Funding dedicated to the health care program category may support program efforts including the following areas:

-- Preventive Health Care and Services;

-- Maternal and Child Health Services;

-- Alcohol, Drug Abuse and Mental Health;

-- Primary Health Care including provision of grants to private nonprofit, public or governmental entities for planning, development and operation of community health centers and for the delivery of family health services;

-- Social Services including support for private nonprofit, community, public or governmental efforts in child care services, family planning, day-care services, counseling, and preparation and delivery of meals or other health support services; and

-- Community Services including support for in the area of emergency health assistance, community health systems rehabilitation or reestablishment and housing.

(b) Education program category Funding dedicated to the education program category may be used to support programs including the following areas:

-- Vocational Education including support for private non-profit, public and governmental institutions of vocational education and maintenance of vocational education physical plants;

-- Primary and Secondary Education including grants to public or private non-profit primary and secondary educational institutions for curriculum development, staffing and personnel, supplies, teacher training, and maintenance of primary and secondary education physical plants;

-- Post-secondary Education including grants to private non-profit or public institutions of post-secondary education, maintenance of post-secondary education physical plants, curriculum development, teacher training and recruitment; and

-- Educational planning and research.

(c) Technical Assistance Funding provided in this program category may be used by the Government of Palau to employ technical experts in any area of specific need. This technical assistance may be used as transitional assistance or to mount sustained program efforts including the training of local personnel in the program areas.

(d) Housing Assistance Funding dedicated to this program category may be used generally for housing assistance programs sponsored by the Government of Palau including guarantees of commercial loans for initial construction or improvements.

(e) Food Supplement Assistance Funding dedicated to this program category may be used to support governmental efforts and programs including those designed to ensure that the citizens of Palau are not without resources to meet minimum nutritional requirements.

4. The Government of Palau shall present annual special block grant program plans to the Government of the United States which plans shall set forth the purposes for which the special block grant funding shall be used. Each annual special block grant program plan may take any form which is most convenient to the Government of Palau

but the plan must indicate that the funds will be expended in a manner consistent with paragraphs 3 and 5 of this Article.

5. The use of the special block grant funds by the Government of Palau shall comply with the guidelines set forth in this paragraph.

(a) Transferability. Funding may be transferred by the Government of Palau among specific program purposes within the program categories set forth in paragraph 3 as well as among the program categories from year to year.

(b) Guidelines for expenditures. Funding available to the Government of Palau in its annual special block grant allocation may not be used for the following purposes:

-- cash assistance payments to individual citizen program recipients which totals more than ten percent of any year's total allocation to the Government of Palau;

-- payment to or support of for-profit organizations;

-- investment in any interest bearing instruments;

-- purchase of equipment not primarily related to the program category purposes set forth in paragraph 3.

-- purchase of technical assistance or services from any individual government other than the Government of the United States or the Government of Palau.

In any year, not more than 10% of the total annual allocation of special block grant funds available to the Government of Palau may be used for administrative expenses attendant to program or service delivery, exclusive of medical referral and other transportation costs directly related to delivery of programs and services to recipients.

(c) Audit The Government of Palau shall keep current records of all funding transactions of the special block grant funds and shall make such records available to the Government of the United States in connection with any audits conducted pursuant to Section 233 of the Compact.

6. Funds made available by the Government of the United States to the Government of Palau pursuant to Section 221(b) of the Compact and this Article do not require any matching with local funds.

7. In the event that the audit conducted pursuant to Section 233 of the Compact and paragraph 5(c) of this Article reveals that the expenditure of funds by the Government of Palau, in connection with a prior year special block grant was not in conformity with the requirements of this Article, the Government of the United States may withhold, for the subsequent year, special block grant funding which would otherwise be made available to that Government. Should the Government of the United States determine to withhold special grant funding pursuant to this paragraph, such action shall be subject to the consultation and dispute resolution provisions of Article II of Title Four of the Compact. The Government of the United States and the Government of Palau shall consult regarding the nature of actions required.

8. Funding for the special block grant shall be disbursed by the Government of the United States to the Government of Palau in the same fashion as the current account grant funding referred to in Article I of Title Two of the Compact.

Article XI

Transition and Termination of Services and Related Programs

Article XI

Transition and Termination of Services and Related Programs

1. Whenever the Government of Palau desires to terminate a category of the services and related programs set forth in Articles VI, VII, VIII, IX, or X of this Agreement, that Government shall give written notice to the United States resident representative and to the Federal agency of Palau. The Government of the United States shall assist in the orderly transfer of authority and responsibility. Unless otherwise agreed, the authority and responsibility of the Government of the United States under this Agreement shall terminate one year after receipt of such notice by the resident representative.

2. Upon termination of a category of services and related programs pursuant to paragraph 1 of this Article, the applicability of all laws of the United States, its regulations, practices, policies, treaties, conventions, or arrangements, which are applicable to that category solely by virtue of this Agreement, shall cease to be applicable in the territory of the Government of Palau and any authority and responsibility of the Government of the United States for the conduct of foreign affairs in respect to such services and related programs shall also cease.

Article XII

Effective Date, Amendment and Duration

Article XII

Effective Date, Amendment and Duration

1. This Agreement shall enter into force simultaneously with the Compact; its related Exchanges of Notes shall enter into force in accordance with their own terms.

2. The provisions of this Agreement may be amended as to all of the Government of Palau and the Government of the United States at any time by mutual agreement.

3. This Agreement shall remain in force for a period of fifteen years, subject to Section 231 and Article IV, Title Four of the Compact.

4. This Agreement may be accepted, by signature or otherwise, by the Government of the United States, the Government of Palau. Each Government shall possess an original English language version.

IN WITNESS WHEREOF, the undersigned, duly authorized, have signed this Federal Programs and Services Agreement which shall come into effect in accordance with its terms between the Government of the United States and the other Governments signatory to this Agreement.

DONE AT Palau, THIS 10th DAY

OF [illegible], ONE THOUSAND NINE HUNDRED EIGHTY-~~FIVE~~ [illegible]

FOR THE GOVERNMENT
OF
THE UNITED STATES OF AMERICA

DONE AT Palau, THIS 10 DAY

OF Jany, ONE THOUSAND NINE HUNDRED EIGHTY-FIVE

FOR THE GOVERNMENT
OF
THE REPUBLIC OF PALAU

A-1

FEDERAL PROGRAMS AND SERVICES AGREEMENT

AGREED MINUTES

Federal Programs and Services Agreement: The provisions of this Agreement relating to technical assistance to be provided in connection with specific programs and services are without prejudice to the provision of technical assistance pursuant to Section 226 or other provisions of the Compact.

Article II, paragraph 6, Legal Status of Programs and Related Services, Federal Agencies, United States Contractors and United States Personnel: Paragraph 6 is without prejudice to the Government of Palau adopting laws and regulations which require the giving of notice of such transfer.

Article VI, Postal Services and Related Programs, paragraph 10: This Agreement does not impair the authority of the Government of Palau, pursuant to paragraph 1 of this Article, to enact laws and promulgate regulations governing the operation of their respective local postal services.

Article VII, Civil Aviation Safety Services and Related Programs: The Signatory Governments intend that aviation safety authorities be in place in Palau on or as soon after the effective date of this Agreement as is necessary or practicable. To this end, the Government of the United States agrees to provide FAA technical assistance in the preparation of aviation safety statutes and regulations for the Government of Palau. On or after the effective date of this Agreement, such technical assistance shall be provided through agreements concluded pursuant to paragraph 4 of this Article. Prior to the effective date of this Agreement, such technical assistance shall be provided only if funding is obtained to reimburse the FAA for such assistance. The Government of Palau has been advised that such funds will have to be provided by the Government receiving FAA technical assistance should such funds not otherwise be available.

Article X, Implementation of Section 221(b) of the Compact, paragraph 5(b): The provisions of paragraph 5(b) of the Compact for payments to or support of for-profit organizations are not intended to preclude acquisition of goods and services for public purposes within the programs categories set forth in paragraph 3 of Article X.

AGREEMENT
CONCLUDED PURSUANT TO SECTION 234 OF THE COMPACT OF FREE ASSOCIATION

AGREEMENT
CONCLUDED PURSUANT TO SECTION 234 OF THE COMPACT OF FREE ASSOCIATION

Section 234 of the Compact of Free Association (the Compact) provides that title to the property of the Government of the United States which is situated in the Trust Territory of the Pacific Islands and in Palau, or which has been acquired by the Government of the United States for use by the Government of the Trust Territory of the Pacific Islands, on or before the day preceding the effective date of the Compact shall vest in the Government of Palau. This vesting of title shall be without reimbursement or transfer of funds by or from the Government of Palau. Title to property of the Government of the United States for which the Government of the United States determines a continuing requirement shall remain vested in the Government of the United States.

United States Public Law 96-597 (94 Stat. 3477) provides in Section 402 that all right, title and interest of the Government of the United States in personal property situated in the Trust Territory of the Pacific Islands shall be transferred to the Government of Palau, the Marshall Islands, the Federated States of Micronesia or the Northern Mariana Islands, without reimbursement by any of them. The High Commissioner of the Trust Territory of the Pacific Islands is required to establish a list of distribution of the property among the recipient governments and in consultation with them. Only property which is surplus to the needs of the Government of the United States shall be included in this list for transfer.

In light of Section 234 of the Compact and of Section 402 of United States Public Law 96-597, the Government of the United States and the Government of Palau confirm their mutual understanding as follows:

1. Identity of Intent

Section 234 of the Compact and Section 402 of United States Public Law 96-597 both have the intention of transferring to the Government of Palau title to property owned but not further required by the Government of the United States, which is situated in the Trust Territory of the Pacific Islands.

2. Authority for Transfer of Title to Property

The Government of the United States confirms that the property which it contemplates will be transferred under Section 234 of the Compact of Free Association or under Section 402 of United States Public Law 96-597 is transferred pursuant to the legislative authority contained in those instruments. In accordance with its terms Section 234 of the Compact provides legislative authority for the transfer of title to property of the Government of the United States for the full period of its effectiveness.

3. Timing of Transfer of Title

United States Public Law 96-597 directs that title to the property in question shall vest in the recipient governments. Prior to the effective date of the Compact, transfer of title to the property in question shall be governed by United States Public Law 96-597. The Compact, as of its effective date, shall provide the legislative authority for the transfer of title to the property in question to the Government of Palau.

4. Future Transfers of Property

If, at any time after the effective date of the Compact of Free Association and during the period of effectiveness of Section 234 of the Compact, the Government of the United States determines that it no longer has a continuing requirement for any property which would otherwise have been transferred in accordance with paragraph 3 of this Agreement, the Government of the United States may, at its discretion, transfer title to such property to the Government of Palau. The identity of the recipient government shall be the same as the location of the property.

5. Ancillary Understandings

Any understandings or agreements entered into by the High Commissioner of the Trust Territory of the Pacific Islands and the Government of Palau in the implementation of Section 402 of United States Public Law 96-597 and with respect to property addressed in Section 234 of the Compact shall have full force and effect as though the transfer of title to the property in question had taken place under the authority of Section 234 of the Compact.

The Government of the United States and the Government of Palau agree that the list of distribution established by the High Commissioner of the Trust Territory of the Pacific Islands shall, at the time of its publication, be attached to this Agreement as Annex A.

The Government of the United States and the Government of Palau further agree that this Agreement constitutes the separate agreement referred to in Section 234 of the Compact.

This Agreement may be accepted, by signature or otherwise, by the Government of the United States and the Government of Palau. Each Government accepting this Agreement shall possess an original English language version.

IN WITNESS WHEREOF, the respective representatives, duly authorized for the purpose, have signed the present Agreement.

DONE AT Palau, THIS 10th DAY OF Jan, ONE THOUSAND, NINE HUNDRED EIGHTY-~~FIVE~~ Si

FOR THE GOVERNMENT

OF

THE UNITED STATES OF AMERICA

DONE AT Palau, THIS 10 DAY OF Jan, ONE THOUSAND, NINE HUNDRED EIGHTY-~~FIVE~~ Si

FOR THE GOVERNMENT

OF

THE REPUBLIC OF PALAU

Agreement Regarding the
Military Use and Operating Rights
# of the Government of the United States in
Palau
Concluded Pursuant to Sections 321 and 322 of the
Compact of Free Association

MILITARY USE AND OPERATING RIGHTS AGREEMENT

TABLE OF CONTENTS

PREAMBLE..ii

Article I......Definitions..............................1-1

Article II.....Applicability of Status of Forces Agreement........................2-1

Article III....Designation and Provision of Defense Sites...........................3-1

Article IV.....General Military Use and Operating Rights Within Defense Sites..............4-1

Article V......Military Use and Operating Rights Within Exclusive-Use Areas...............5-1 to 5-2

Article VI.....Military Use and Operating Rights Witnin Joint-Use Areas...................6-1 to 6-2

Article VII....Military Use and Operating Rights Within Non-Exclusive-Use Areas...........7-1 to 7-2

Article VIII...Miscellaneous............................8-1 to 8-2

Article IX.....Effective Date, Amendment and Duration...9-1

Annex A........United States Requirements for Defense Sites and Categories of Use......A-1

Agreement Regarding the Military Use and Operating Rights of the Government of the United States in Palau Concluded Pursuant to Sections 321 and 322 of the Compact of Free Association

This Agreement sets forth the military use and operating rights of the Government of the United States in Palau, and is concluded pursuant to Sections 321 and 322, Title Three of the Compact of Free Association (the Compact).

Article I

Definitions

Article I

Definitions

The Definition of Terms set forth in Article VI of Title Four of the Compact and the Definitions set forth in paragraph 2 of Article I of the Status of Forces Agreement Concluded Pursuant to Section 323 of the Compact (the Status of Forces Agreement) are incorporated in this Agreement.

Article II

Applicability of Status of Forces Agreement

Article II

Applicability of Status of Forces Agreement

The provisions of the Status of Forces Agreement shall apply.

Article III

Provision of Defense Sites

Article III

Designation and Provision of Defense Sites

1. In accordance with Article II of Title Three of the Compact, the Government of the United States may designate defense sites, and categories of use for such sites. United States requirements for defense sites and categories of use are set forth in Annex A to this Agreement.

2. Upon the request of the Government of the United States, the Government of Palau shall provide the designated defense sites to the Government of the United States in accordance with the provisions of Section 322 of the Compact. The provision of defense sites shall include all the necessary land and use rights for such sites, rights of access thereto, and road, pipeline and other easements as may be required.

3. With respect to the designation of defense sites pursuant to Section 322(b) of the Compact, the Government of Palau shall make the alternative site, or the site originally designated, available to the Government of the United States within 60 days of the original designation.

4. In connection with the provision of defense sites, any rent, other use charges or other consideration due to persons with interests in land in Palau shall be provided by the Government of Palau.

5. Upon the designation of any defense site by the Government of the United States in accordance with Article II of Title Three of the Compact, the conditions and restrictions on use specified in Articles V, VI and VII of this Agreement shall apply in accordance with the designated category of use.

Article IV

General Military Use and Operating Rights Within Defense Sties

Article IV

General Military Use and Operating Rights Within Defense Sites

1. The defense sites provided by the Government of Palau to the Government of the United States in accordance with Article II of Title Three of the Compact may be designated for the following categories of use:

(a) Exclusive-use areas - areas which are reserved exclusively for use by the Government of the United States, subject to the limitations set forth in this Agreement;

(b) Joint-use areas - areas which may be used jointly by the Government of Palau and the Government of the United States, subject to the limitations set forth in this Agreement;

(c) Non-exclusive-use areas - areas for intermittent use by the Government of the United States, subject to the limitations set forth in this Agreement.

2. The Government of the United States shall notify the Government of Palau when it no longer has a requirement to retain any of its rights to defense sites, areas, or portions thereof, which shall then revert to the full and complete control of the Government of Palau.

Article V

Military Use and Operating Rights Within Exclusive-Use Areas

Article V

Military Use and Operating Rights Within Exclusive-Use Areas

1. The Government of the United States has access to and unrestricted control of the exclusive use areas including the right to control entry to and exit from any or all exclusive-use areas and the right to take reasonable and necessary measures for their establishment, use and operation. The Government of the United States may take, within the exclusive-use areas and within the seabeds, water areas and air space adjacent to or in the vicinity of the exclusive-use areas, reasonable and necessary measures for their use, security and defense. These measures include the right:

(a) To maintain the areas and to construct structures and improvements thereon;

(b) To improve and deepen harbors, channels, entrances, and anchorages, to dredge and fill, and generally to fit the premises to their intended use;

(c) To control, so far as may be required for the efficient operation of the areas, anchorages and moorings, the movement of ships and waterborne craft, aircraft operations and land movements;

(d) To regulate and control all communications of the Government of the United States to, from and within the areas; and

(e) To install, maintain, use and operate defense-related oceanographic, aeronautical, space communications, and other military or scientific systems and equipment.

2. In conducting activities in exclusive-use areas, the Government of the United States shall use its best efforts to:

(a) Avoid interference with commercial activities in Palau;

(b) Avoid interference with access by fishermen to shoreline areas;

(c) Avoid interference with navigation, aviation, communication and land or water travel in Palau;

(d) Avoid impeding access to recreational areas, particularly beach areas, by residents of and visitors to Palau;

(e) Minimize damage to the terrain and to reef areas;

(f) Avoid unreasonable harm to the environment, including water areas;

(g) Avoid activities which would adversely affect the well-being of the residents of Palau; and

(h) Notify the Government of Palau of non-routine activities so that the Government of Palau may take steps to assist the Government of the United States in executing its responsibilities to minimize any adverse impact of such activities.

3. The Government of Palau may use any exclusive-use areas in any manner consistent with paragraph 4 of this Article. The Government of the United States may condition, limit or withdraw, temporarily or permanently, such authorization at any time. The Government of the United States shall provide advance notification to the Government of Palau of the intention of the Government of the United States to condition, limit or withdraw, temporarily or permanently, such authorization.

4. Use by the Government of Palau, which may include making exclusive-use areas available to persons or entities authorized by the Government of Palau, shall be compatible with planned military activities and the rights of the Government of the United States set forth in this Agreement.

5. Except for activities permitted under paragraph 1 of this Article, there shall be no permanent construction without prior consent of the Government of Palau and the United States.

6. United States Federal Aviation Administration safety zone areas and airspace reservations and restrictions shall apply with respect to land use.

Article VI

Military Use and Operating Rights Within Joint-Use Areas

Article VI

Military Use and Operating Rights Within Joint-Use Areas

1. The Government of the United States shall have access to and use of joint-use areas, including the right to take reasonable and necessary measures for their establishment, operation and maintenance. After consultation with the Government of Palau, the Government of the United States may take, within these areas and within the seabeds, water areas and air space adjacent to or in the vicinity of these areas reasonable and necessary measures for their use, security and defense, including the measures specified in subparagraphs (a) through (e) of paragraph 1 of Article V of this Agreement.

2. In times of emergency, after consultation with the Government of Palau, the Government of the United States may, so far as may be required for the efficient operation of those joint-use areas and for the duration of the emergency, control the use of anchorages and moorings, the movement of ships and waterborne craft, aircraft operations and land movements.

3. In conducting activities in joint-use areas, the Government of the United States shall, in consultation with the Government of Palau, use its best efforts to:

(a) Avoid interference with commercial activities in Palau;

(b) Avoid interference with access by fishermen to shoreline areas;

(c) Avoid interference with navigation, aviation, communication and land or water travel in Palau;

(d) Avoid impeding access to recreational areas, particularly beach areas, by residents of and visitors to Palau;

(e) Minimize damage to the terrain and to reef areas and restore, where practicable, such areas to their prior state;

(f) Avoid unreasonable harm to the environment, including water areas;

(g) Avoid activities which would adversely affect the well-being of the residents of Palau; and

(h) Notify the Government of Palau of non-routine activities so that the Government of Palau may take steps to assist the Government of the United States in executing its responsibilities to minimize any adverse impact of such activities.

4. The Government of Palau may use any joint-use area, including making such area available to persons or entities authorized by the Government of Palau, in any manner compatible with the rights of the Government of the United States set forth in this Agreement. The Government of Palau shall notify the Government of the United States of any intended use of such area and the Government of the United States shall not interfere with such use unless it is incompatible with the ability of the Government of the United States to carry out its military mission.

5. Except for the activities permitted under paragraph 1 of this Article, there shall be no permanent construction without prior consent of the Government of Palau and the United States.

6. United States Federal Aviation Administration safety zone areas and airspace reservations and restrictions shall apply with respect to land use.

Article VII

Military Use and Operating Rights Within Non-Exclusive-Use Areas

Article VII

Military Use and Operating Rights Within Non-Exclusive-Use Areas

1. The Government of the United States shall notify the Government of Palau, as far in advance of the tentative date of planned use as is practically possible, but not less than 90 days, except in an emergency or as mutually agreed, of its intention to use any area designated for non-exclusive-use.

(a) The notification shall:

(1) Identify the specific area or areas to be used, which shall be the minimum area necessary to carry out the intended use;

(2) State the projected dates during which the use will occur; and

(3) Provide a description of the use to be made of the area.

(b) The Government of Palau may, within 30 days after receipt of the notification, seek clarification or express reservation concerning the planned activity and the parties shall consult as necessary to resolve any differences. The Government of the United States will make every reasonable effort to adjust the planned use to take into consideration the reservations expressed by the Government of Palau. Unresolved issues will be handled in accordance with paragraph 7 of Article VIII of this Agreement.

2. During periods of use the Government of the United States may, within non-exclusive-use areas, control, so far as may be required for efficient conduct of the planned use, the use of anchorages and moorings, the movement of ships and waterborne craft, aircraft operations and land movements.

3. In conducting activities in non-exclusive-use areas, the Government of the United States shall, in consultation with the Government of Palau, use its best efforts to:

(a) Avoid interference with commercial activities in Palau;

(b) Avoid interference with access by fishermen to shoreline areas;

(c) Avoid interference with navigation, aviation, communication and land or water travel in Palau;

(d) Avoid impeding access to recreational areas, particularly beach areas, by residents of and visitors to Palau;

(e) Minimize damage to the terrain and to reef areas and restore, where practicable, such areas to their prior state;

(f) Avoid unreasonable harm to the environment, including water areas;

(g) Avoid activities which would adversely affect the well-being of the residents of Palau;

(h) Avoid residential areas; and

(i) Avoid historical and religious sites.

4. After each use of a non-exclusive-use area, the Government of the United States shall take all measures to ensure, insofar as may be practicable, that every hazard to human life, health and safety resulting from such use is removed from any such area.

5. Except as provided in this Agreement, The Government of Palau shall have full and free use of designated non-exclusive-use areas, including making such areas available to persons or entities authorized by the Government of Palau, provided that the Government of Palau shall undertake or permit permanent construction in such areas only after consultation with the Government of the United States.

Article VIII

Miscellaneous

Article VIII

Miscellaneous

1. Any activities carried out by the Government of the United States under the terms of this Agreement shall be conducted in accordance with environmental standards established pursuant to Article VI of Title One of the Compact.

2. All minerals, including oil, antiquities and treasure trove in a defense area, and rights relating thereto, remain the property of the Government of Palau, but any exploitation thereof within an exclusive-use or joint-use area shall be with the consent of the Government of the United States, which shall not unreasonably be withheld.

3. The Government of the United States shall retain title to equipment, materials, and other movable property brought into or acquired in Palau and may remove such property from Palau at any time. In the event the Government of the United States wishes to dispose of such equipment, materials or other movable property, the Government of Palau shall have a right of first refusal to purchase such items, at an agreed upon price, after the Government of the United States has fulfilled its regulatory responsibilities including first offering such equipment to other agencies of the Government of the United States.

4. At the time the Government of the United States notifies the Government of Palau that it no longer has a requirement to retain a particular exclusive-use or joint-use area, the Government of the United States shall take all measures to ensure, insofar as may be practicable, that every hazard to human life, health and safety resulting from such use is removed from any such area.

5. If the Government of the United States establishes a military meteorological facility in Palau it shall, consistent with military requirements, supply, without charge, meteorological information to the Government of Palau.

6. The Government of the United States may station in Palau United States personnel required in its use of the defense sites authorized under this Agreement. United States personnel are authorized to visit Palau on official duty in connection with naval port visits, aircraft transits or other temporary duty, and may make use of Palau for leave, rest, relaxation, recuperation or similar purposes.

7. Unless otherwise provided, all disputes under this Agreement shall be resolved in accordance with Section 351 of the Compact.

8. In the event of an emergency the Government of the United States, consistent with military requirements, shall make available to the Government of Palau, on a cost reimburseable basis, military fuels and oils.

Article IX

Effective Date, Amendment and Duration

Article IX

Effective Date, Amendment and Duration

1. This Agreement shall come into effect simultaneously with the Compact.

2. This Agreement may be amended at any time by the mutual consent of the Government of Palau and the Government of the United States.

3. This Agreement shall remain in effect for a term of fifty years.

Agreement Regarding the Military Use and Operating Rights of the Government of the United States in Palau Concluded Pursuant to Sections 321 and 322 of the Compact of Free Association

IN WITNESS WHEREOF, the undersigned, duly authorized for the purposes, have signed the present agreement.

DONE at Koror, Palau, this 10th day of January, one thousand, nine hundred eighty-~~five~~

FOR THE GOVERNMENT
OF
THE UNITED STATES OF AMERICA

- - - - - -

FOR THE GOVERNMENT
OF
THE REPUBLIC OF PALAU

Annex A

United States Requirements for Defense Sites and Categories of Use

Annex A

United States Requirements for Defense Sites and Categories of Use

1. Exclusive use of:

(a) Approximately 65 acres adjoining Airai airfield, as depicted in Tabs 1 and 2 hereto.

(b) Approximately 40 acres of submerged and adjacent fast land in Malakal harbor, as depicted in Tab 3 hereto.

(c) An area or areas for such purposes as base and logistic support activities, with the right to construct and use direct access roads.

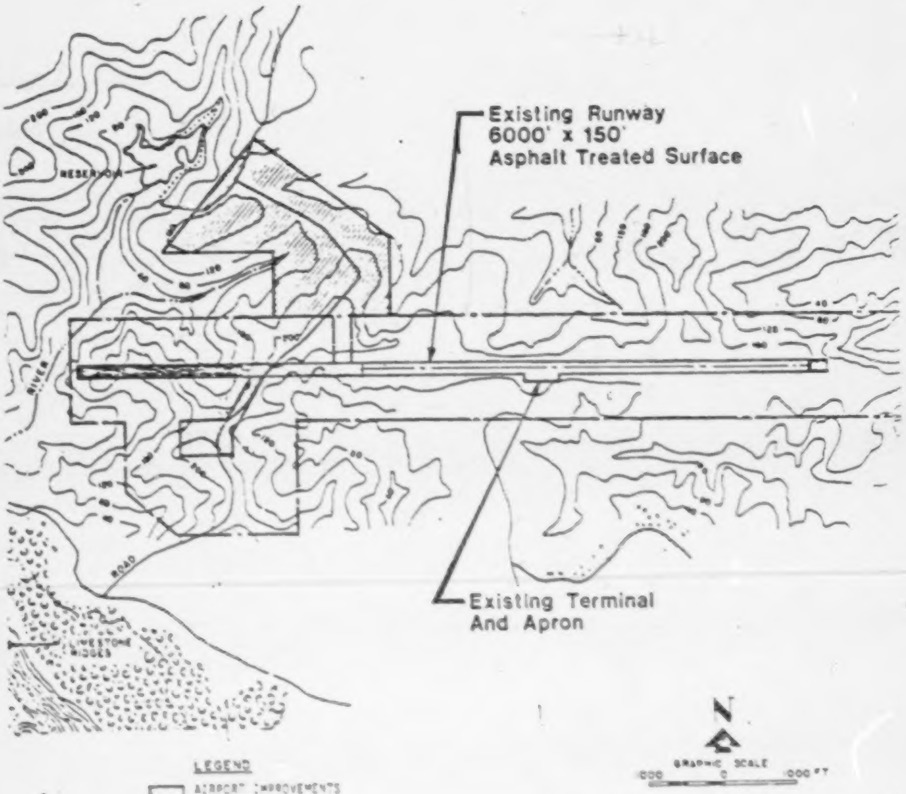
2. Joint use of:

(a) The existing airport area at Airai airfield, with the right to extend the runway to 9,600 feet.

(b) All anchorages in Malakal Harbor and adjacent waters, with the right to make improvements.

3. Periodic non-exclusive use of an area in the State of Melekeok, or another area for training and maneuvers, with suitable landing beaches and necessary access rights.

4. Exclusive and non-exclusive use of the airfield in the State of Angaur, or another airfield and adjoining area, as in paragraph 1(a) and 2(a) above.


Existing Runway
6000' x 150'
Asphalt Treated Surface
RESERVOIR
RIVER
ROAD
LIMESTONE RIDGES
Existing Terminal
And Apron
N
GRAPHIC SCALE
1000 0 1000 FT

LEGEND

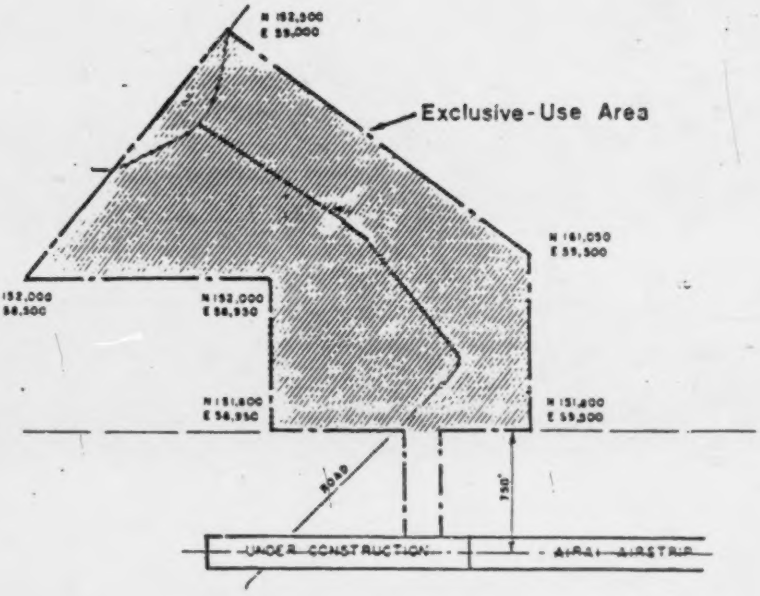
▭	AIRPORT IMPROVEMENTS UNDER CONSTRUCTION (RUNWAY EXTENSION TO 7,200 FEET).
▬	RUNWAY EXTENSION TO 9,600 FEET
‒ · ‒	PROPERTY BOUNDARY JOINT-USE AREA (APPROX. 550 ACRES)
▨	EXCLUSIVE-USE AREA (APPROX. 65 ACRES)

EXCLUSIVE-USE AREA	SIXTY-FIVE ACRES FOR AIRCRAFT PARKING, MAINTENANCE, AND PERSONNEL SUPPORT FACILITIES.
JOINT-USE AREA	FIVE HUNDRED FIFTY FIVE ACRES (EXISTING AIRPORT PROPERTY AREA) WITH RIGHT TO EXTEND RUNWAY TO 9,600 FEET.

TAB 1

AIRAI AIRFIELD DEFENSE SITE

(PRECISE BOUNDARIES SUBJECT TO DELIMITATION BY SURVEY)


N 152,300
E 55,000
Exclusive-Use Area
N 161,050
E 55,500
N 152,000
E 54,300
N 152,000
E 54,950
N 151,800
E 54,950
N 151,800
E 55,500
ROAD
750'
UNDER CONSTRUCTION
AIRAI AIRSTRIP

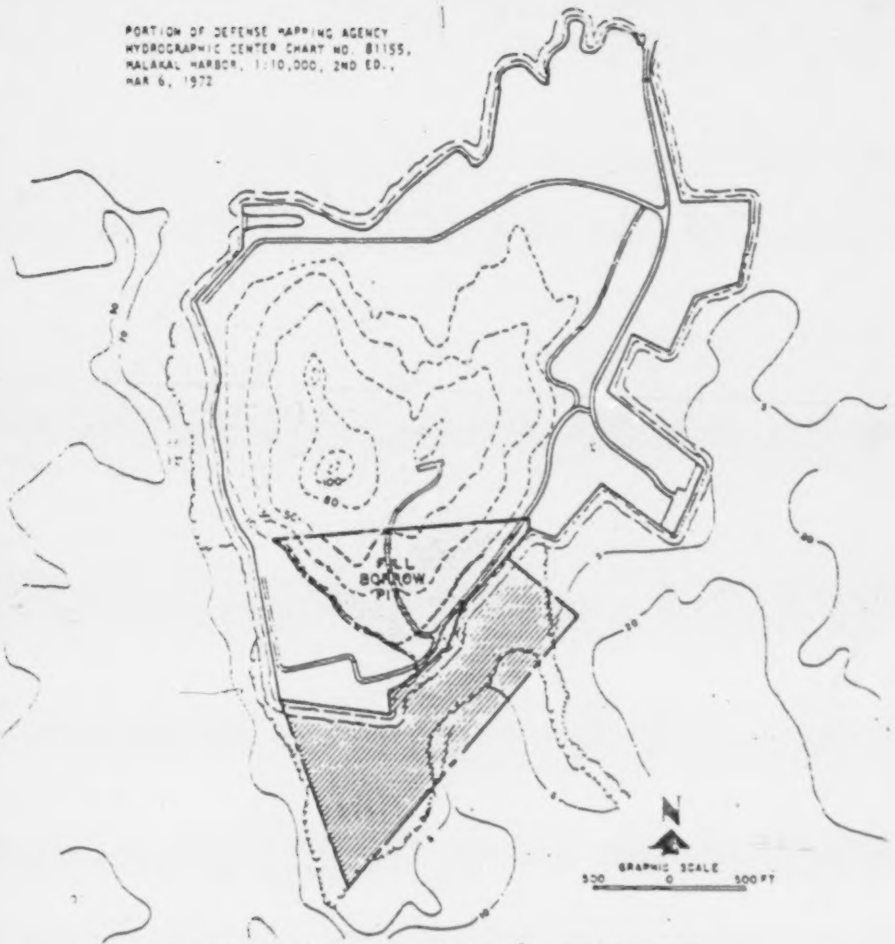
NOTE: COORDINATES TAKEN FROM 1:10,000 METER PHOTOMAP PREPARED FOR TTPI BY HAWAII ARCHITECTS AND ENGINEERS. ALL COORDINATES USE STATION ARAKABESAN ISLAND (LATITUDE 7° 21'04.3996 "N, LONGITUDE 134° 27'01.6015 "E) AS POINT OF ORIGIN. COORDINATES ASSIGNED TO THIS STATION ARE N 150,000.00 METERS AND E 50,000.00 METERS.

N

TAB 2

AIRAI AIRFIELD DEFENSE SITE

(PRECISE BOUNDARIES SUBJECT TO DELIMITATION BY SURVEY)



PORTION OF DEFENSE MAPPING AGENCY
HYDROGRAPHIC CENTER CHART NO. 81155,
MALAKAL HARBOR, 1:10,000, 2ND ED.,
MAR 6, 1972

EXCLUSIVE-USE AREA ▨	FORTY-ACRE, LEVEL, PIER AND SHORESIDE AREA TO BE CREATED ENTIRELY BY LANDFILL CONSTRUCTION OR BY A COMBINATION OF LANDFILL AND ADJACENT EXCAVATED LEVEL BORROW PIT AREA.
JOINT-USE AREA	ENTIRE HARBOR AND ADJACENT WATERS.
SOURCE OF FILL MAT'L ☐	ALL FILL MATERIAL REQUIRED FOR THE CONSTRUCTION OF THE HARBOR LANDFILL FACILITY MAY BE OBTAINED FROM THE DESCRIBED BORROW PIT. ALTERNATIVELY, PART OR ALL OF THE LANDFILL MAY BE CONSTRUCTED OF DREDGED CORAL MATERIAL.

TAB 3

MALAKAL HARBOR DEFENSE SITE

STATUS OF FORCES AGREEMENT
Concluded Pursuant to Section 323 of
The Compact of Free Association

Agreement in Implementation of Section 323 of The Compact of Free Association

Status of Forces Agreement

TABLE OF CONTENTS

Article I .....Definitions..........................Pg. 1-1 to 1-2

Article II.....Movement.............................Pg. 2-1

Article III....Entry and Departure..................Pg. 3-1 to 3-2

Article IV.....Utilization of Contractors and Employment of Labor............Pg. 4-1

Article V......Taxes and Customs....................Pg. 5-1 to 5-2

Article VI.....Service Facilities...................Pg. 6-1

Article VII....Military Post Offices................Pg. 7-1

Article VIII...Bearing of Arms......................Pg. 8-1

Article IX.....Operation and Licensing of Vehicles..........................Pg. 9-1

Article X......Relinquishment of Defense Sites....Pg. 10-1

Article XI.....Equipment............................Pg. 11-1

Article XII....Criminal Jurisdiction................Pg. 12-1 to 12-5

Article XIII...Additional Criminal Jurisdiction...Pg. 13-1

Article XIV....Respect for Local Law................Pg. 14-1

Article XV.....Claims...............................Pg. 15-1

Article XVI....Currency.............................Pg. 16-1

Article XVII...Medical Services.....................Pg. 17-1

Article XVIII..Telecommunications...................Pg. 18-1

Article XIX....Effective Date, Amendment and Duration.......................Pg. 19-1

................Agreed Minutes......................Pg. A-1 to A-2

STATUS OF FORCES AGREEMENT
Concluded Pursuant to Section 323 of
The Compact of Free Association

This Agreement is concluded by the Signatory Governments and sets forth the legal status of the Armed Forces of the United States, their members, and associated civilians, while present in Palau pursuant to Section 323 of the Compact of Free Association (the Compact).

Article I

Definitions

Article I

Definitions

1. The Definition of Terms set forth in Article VI of Title Four of the Compact is incorporated into this Agreement.

2. For the purposes of this Agreement only, the following terms shall have the following meanings:

(a) "Armed Forces of the United States" means the land, sea and air armed forces of the United States of America, including the Coast Guard.

(b) "United States Contractors" means the legal entities, including corporations and natural persons, present in Palau for the purpose of executing their contracts with the Government of the United States, or subcontracts of such contracts, in support of the Armed Forces of the United States and designated as such by the Government of the United States. The term "United States Contractors" does not include local contractors.

(c) "Local Contractors" means the legal entities, including corporations and natural persons organized under the laws of, and who are in, Palau.

(d) "United States Personnel" means anyone who is included in any of the following categories:

(1) "members of the force" -- all military personnel, notwithstanding their citizenship or nationality, on duty with the Armed Forces of the United States who are in Palau;

(2) "members of the civilian component" -- all civilian persons, notwithstanding their citizenship or nationality, except local hire personnel, who are in Palau, and who are in the employ of, serving with, or accompanying the Armed Forces of the United States;

(3) "contractor personnel" -- natural persons, who are United States citizens or nationals or United States permanent resident aliens, except local hire personnel, who are in Palau, and who are United States contractors or officers or employees of United States contractors; or

(4) "dependents" -- the spouses and children of persons included in paragraphs 2(d)(1), 2(d)(2) and 2(d)(3) of this Article and, while members of the household of such persons, other relatives or wards of such persons or their spouses.

(e) "Third Country Contractor Personnel" means natural persons other than United States personnel or local hire personnel who are in Palau and who are United States contractors or officers of employees of United States contractors or dependents of any of them.

(f) "Local Hire Personnel" means citizens and nationals of Palau, who are employed in Palau, respectively, by the Armed Forces of the United States or United States contractors.

(g) "Defense Sites" means "Military Areas and Facilities" as defined in Section 461 (g) of the Compact.

(h) "Judge" means any judicial officer of a Signatory Government who has the authority to issue a warrant of arrest or its equivalent and for purposes of this Agreement, except for paragraph 6(c) of Article XII, shall also include judicial officers certified as such by the Government concerned.

Article II

Movement

Article II

Movement

1. Consistent with the Compact, this Agreement and any other agreements concluded between the Government of the United States and the Government of Palau in accordance with Sections 321 and 323 of the Compact:

(a) All aircraft, vessels and vehicles operated by, for, or under the control of the Armed Forces of the United States or United States contractors shall enjoy freedom of movement in Palau;

(b) Such aircraft, vessels and vehicles shall be operated in a manner which minimizes danger to persons and property and interference with trade, commerce, exploration and exploitation of living and non-living resources of the sea; and

(c) Movement of such aircraft, vessels and vehicles in Palau, including access to and use by them of defense sites, ports, harbors and airfields, shall not be subject to any taxes, fees or other charges, except those fees or other charges set forth in paragraph 2 of this Article.

2. The Armed Forces of the United States and United States contractors shall pay, at generally prevailing rates unless otherwise agreed, for specific services rendered at their request, including materials received at their request in connection with the use of ports, harbors and airfields in Palau. Such services and materials may include fuel, towing, mechanical servicing and utilities.

Article III

Entry and Departure

Article III

Entry and Departure

1. The Government of the United States may bring into Palau:

(a) United States personnel and United States contractors; and

(b) Third country contractor personnel in a manner consistent with those laws of Palau, relating to the exclusion of individual, undesirable aliens and taking into account paragraph 5 of this Article and Article IV of this Agreement.

2. United States personnel shall be exempt from the passport and visa laws and regulations of Palau. Taking into account paragraph 1(b) of this Article and Article IV of this Agreement applications of third country contractor personnel for visas shall be granted or denied expeditiously. All such personnel shall comply with medical immunization requirements of Palau.

(a) No United States personnel or third country contractor personnel shall acquire any right to permanent residence or domicile solely as a result of their being United States personnel or third country contractor personnel.

(b) United States personnel shall be exempt from laws and regulations of Palau on the entry, departure, registration and control of aliens and foreign agents.

3. Upon entry into or departure from Palau, United States personnel shall have in their possession official orders or documents certifying the status of the individual or group. Such orders or documents shall be shown on request to the appropriate authorities of the Government concerned.

4. For the purpose of their identification while in Palau, United States personnel ten years of age or older shall have in their possession a personal identification card authorized by the Government of the United States which shall show the name, date of birth, status, and photograph of the bearer. Such card shall be shown on request to the appropriate authorities of the Government concerned.

5. Should the Government of Palau request the removal from Palau, of any United States personnel or any third country contractor personnel, the request shall be referred to the Joint Committee established pursuant to Section 351 of the Compact for resolution in accordance with that Section, unless the Government of the United States receives the person concerned within its own territory or otherwise effects the departure of such person outside

the territory of the requesting Government. Section 351 of the Compact is incorporated by reference into, and becomes a part of, this Agreement. If the Joint Committee so determines, the person concerned shall immediately become subject to the jurisdiction of the Government of Palau in accordance with its laws.

6. Transportation costs attendant to the departure and removal of third country contractor personnel shall be the responsibility of the Government of the United States.

Article IV

Utilization of Contractors and Employment of Labor

Article IV

Utilization of Contractors and Employment of Labor

1. In the establishment, maintenance, and use and operation of defense sites and in the execution of obligations undertaken by the Government of the United States in the Compact and its related Agreements, the Armed Forces of the United States, United States contractors and local contractors:

(a) may employ persons possessing requisite skills and qualifications. Employment preference shall be given, without discrimination, to citizens, nationals and permanent resident aliens of Palau, in their respective jurisdictions, and of the United States. In the employment of such persons pursuant to the preferences set forth in this paragraph, the Armed Forces of the United States and United States contractors shall exercise their best efforts to employ persons present in Palau; and

(b) shall utilize without discrimination, consistent with the laws and regulations of the United States, qualified local contractors and contractors which are legal entities of the United States. The Armed Forces of the United States and United States contractors shall ensure that the specifications and instructions for contract bids shall permit such free and full competition as is consistent with the procurement of the goods and services needed by the Government of the United States.

2. Prior to the employment of third country personnel or the utilization of third country contractors, the Government of the United States shall notify the Government of Palau and shall consult, if requested, as to the availability of qualified local hire personnel or qualified local contractors.

3. The laws and regulations of Palau shall not apply to the terms and conditions of employment of United States personnel or third country contractor personnel by the Armed Forces of the United States or United States contractors. The Government of Palau shall not require United States personnel, third country contractor personnel or United States contractors to obtain any license, permit or certificate, or to undergo any examination, in connection with the performance of their duties on behalf of the Armed Forces of the United States.

4. In the employment of local hire personnel by the Armed Forces of the United States and United States contractors, the Government of the United States shall adopt measures consistent with the standards of local labor laws to the extent they are compatible with the laws, regulations and operational requirements of the United States.

Article V

Taxes and Customs

Article V

Taxes and Customs

1 The following are exempt from any tax, fee or similar charge imposed by the Government of Palau:

(a) The services, activities, facilities, equipment, material, income or any other property or transactions of the Armed Forces of the United States or United States contractors;

(b) The ownership, possession, use, or transfer inter se by United States personnel, by death or otherwise, of real or personal property, tangible or intangible, wherever located; and

(c) Income received by United States personnel for services with or employment by the Armed Forces of the United States or United States contractors, or from sources outside the territory of the Government concerned, except that United States contractor personnel and dependents who are also United States contractor personnel are not exempt from a personal income tax generally applicable within Palau up to a level of five percent of their annual income derived from their employment in Palau, respectively, by United States contractors.

2. Third country contractor personnel shall be subject to income tax generally applicable in Palau.

3. All materials, equipment and other property imported or exported by or on behalf of the Armed Forces of the United States, or United States contractors for the use or benefit of the Armed Forces of the United States, United States contractors, United States personnel, or third country contractor personnel shall be permitted entry into and exit from Palau free from customs duties, license requirements, and other import and export taxes, fees or charges.

4. United States personnel may import into and export from Palau furniture, household goods and personal effects for their personal or family use, including all forms of privately owned land, sea and air transportation, free from customs duties, license requirements, and other import and export taxes, fees or charges.

5. The following are exempt from customs examination by the Government of Palau:

(a) Members of the force, members of the civilian component and the dependents of both when entering or leaving Palau under official orders except when under leave orders;

(b) Documents under official seal, and mail in the United States military postal channels; and

(c) Cargo consigned to or shipped by the Armed Forces of the United States or United States contractors.

6. The Armed Forces of the United States, in cooperation with the Government of Palau, shall take appropriate measures, including inspection, to prevent the importation of contraband and to prevent abuse of privileges granted under this Article.

7. Should property imported into Palau under the exemptions provided by this Article subsequently be transferred to a person not entitled to such exemptions, such person shall be liable for import duties and other charges according to the laws and regulations of the Government of Palau.

8. Animals and plants, including fruits and vegetables, imported by United States personnel, subject to the provisions of this Article, and by third country contractor personnel shall be subject to the laws and regulations of Palau, respectively, governing such inspection of and restriction on such importations.

Article VI

Service Facilities

Article VI

Service Facilities

The Armed Forces of the United States may authorize the establishment, use, operation and maintenance within defense sites in Palau of service, educational and recreational facilities. Such facilities and their related activities, including the importation, purchase, sale or dispensing of merchandise and services by them shall be exempt from all taxes, customs duties, fees, charges and license requirements of the Government of Palau.

Article VII

Military Post Offices

Article VII

Military Post Offices

The Armed Forces of the United States may establish, operate and maintain military post offices within defense sites for their use and the use of United States contractors and United States personnel. A mail facility operated by a United States contractor on behalf of the Armed Forces of the United States shall be considered a military post office within the meaning of this Article.

Article VIII

Bearing of Arms

Article VIII

Bearing of Arms

1. Members of the force may possess and use arms when necessary to perform their official duties and, in specially designated areas in defense sites, to maintain skills to perform their official duties, in accordance with the laws and regulations governing the Armed Forces of the United States.

2. Contractor personnel may possess or use arms when acting in support of the military mission of the Government of the United States in an official capacity as law enforcement personnel or security officers designated as such by the Government of the United States in accordance with its laws and regulations.

3. Any other possession or use of arms shall be only as agreed between the Government of the United States and the Government of Palau.

Article IX

Operation and Licensing of Vehicles

Article IX

Operation and Licensing of Vehicles

1. The Government of Palau shall accept as valid, without a test or fee, the operator's permit or license or military driving permit issued to United States personnel or third country contractor personnel by the Government of the United States, the Governments of the States of the United States of America, its territories and possessions, the District of Columbia, the Commonwealth of Puerto Rico, or the Commonwealth of the Northern Mariana Islands.

2. Official vehicles of the Armed Forces of the United States, vehicles owned or operated by United States contractors, and privately owned vehicles of United States personnel shall be identified by individual markings or license plates issued by the Government of the United States, the Governments of the States of the United States of America, its territories and possessions, the District of Columbia, the Commonwealth of Puerto Rico, or the Commonwealth of the Northern Mariana Islands.

(a) Official vehicles shall not be subject to the registration or safety inspection laws of the Government of Palau.

(b) The Armed Forces of the United States may register vehicles of United States contractors and United States personnel which are not official vehicles, and may inspect such vehicles applying safety standards of general applicability in Palau, respectively. Vehicles so registered and inspected shall be exempt from the registration and safety inspection laws of the Government of Palau.

3. For purposes of this Article the term "vehicles" includes all forms of land, sea and air transportation.

Article X

Relinquishment of Defense Sites

Article X

Relinquishment of Defense Sites

1. If any installations or improvements which were constructed at the expense of the Government of the United States are to be left behind after relinquishment of a defense site or portion thereof, whether at the termination of any agreement provided for in Section 321 or 323 of the Compact or at any other date, the Government of Palau and the Government of the United States shall consult to determine the residual value, including scrap value, if any, of any such installations or improvements to the Government of Palau.

2. The Government of the United States shall take all measures practicable to ensure that every condition substantially or materially hazardous to human life, health and safety resulting from use of defense sites is removed or otherwise made safe. The Government of the United States and the Government of Palau shall consult as to what constitutes a hazard and how hazards shall be removed or otherwise made safe.

3. The Government of the United States shall have no obligation, upon relinquishment, to restore defense sites to their former condition; however, upon such relinquishment of a defense site or portion thereof, or sooner if mutually agreed, the Government of the United States and the Government of Palau shall enter into negotiations with a view to reaching an equitable arrangement for return of lands that takes due account of United States investment, the prospective use to which such lands will be used and the unique importance of land under local custom and law.

Article XI

Equipment

Article XI

Equipment

The Government of the United States shall retain title to equipment, materials and other moveable property brought into or acquired in Palau and may remove such property at any time. In the event the Government of the United States wishes to dispose of such equipment, materials or other moveable property, the Government of Palau shall have a right of first refusal to purchase such items, at an agreed upon price, after the Government of the United States has fulfilled its statutory and regulatory responsibilities including first offering such equipment to other agencies of the Government of the United States.

Article XII

Criminal Jurisdiction

Article XII

Criminal Jurisdiction

1. Subject to the provisions of this Article:

(a) United States personnel are subject to the criminal jurisdiction of the Government of Palau for offenses committed by such personnel in Palau.

(b) The Government of the United States has the right to exercise within Palau criminal and disciplinary jurisdiction over United States personnel for offenses punishable under the laws of the United States. In lieu of criminal or disciplinary proceedings in Palau, the Government of the United States may elect to remove United States personnel for such proceedings elsewhere.

(c) For purposes of asserting jurisdiction under this Article, the determination of a Signatory Government as to whether an offense is punishable under its laws shall be conclusive.

2. The Government of Palau has the right to exercise exclusive jurisdiction over United States personnel with respect to offenses committed in Palau, which are punishable under local law, but not under the laws of the United States applicable to offenses committed outside the territorial jurisdiction of the United States.

3. The Government of the United States has the right to exercise exclusive jurisdiction over United States personnel with respect to offenses committed in Palau which are punishable under the laws of the United States applicable to offenses committed outside the territorial jurisdiction of the United States, but not under local law.

4. The Government of Palau and the Government of the United States have concurrent jurisdiction over United States personnel with respect to offenses committed in Palau, which are punishable under both local laws and the laws of the United States applicable to offenses committed outside the territorial jurisdiction of the United States. Whenever it is determined by the Government of Palau that an act or omission is a punishable offense under the laws of Palau, and it is determined by the Government of the United States that the same act or omission is a punishable offense under the laws of the United States applicable to offenses committed outside the territorial jurisdiction of the United States, the following rules shall apply:

(a) The Government of Palau, has the primary right to exercise jurisdiction over United States personnel in all other cases of concurrent jurisdiction, except as provided in paragraph 4(b) of this Article.

(b) The Government of the United States has the primary right to exercise jurisdiction over United States personnel in Palau, for:

(1) Offenses committed within defense sites, including non-exclusive-use areas during periods of use by the Government of the United States under applicable military use and operating rights agreements concluded under Sections 321 and 323 of the Compact;

(2) Offenses against the property or security of the United States, or offenses against the person or property of United States personnel;

(3) Offenses arising out of the performance of official duty;

(4) Offenses committed by United States personnel who are attached to or embarked in aircraft or vessels transiting Palau and which are operated by, for, or under the control of the Armed Forces of the United States or United States contractors; and

(5) Any other offense punishable by deprivation of liberty or by a more severe penalty. However, the Government of Palau, has the primary right of jurisdiction to try any offense that is not a felony under local law and for which the sole penalty which shall be adjudged or imposed, if any, is a fine. Not later than the day following the third anniversary of the effective date of this Agreement, the Government of Palau, shall have the primary right to exercise jurisdiction over any such offense which is not a felony under local law and is subject to a maximum punishment no greater than deprivation of liberty for less than six months.

(c) The Government of Palau having the primary right to exercise jurisdiction waives that right, unless it notifies the Government of the United States of its intention to exercise such right as soon as practicable, but within 30 calendar days after notification of the offense by that Government.

(d) The Government having the primary right to exercise jurisdiction shall give sympathetic consideration to a request from the other Government for a waiver of such primary right in cases the requesting Government considers to be of particular importance.

(e) The provisions of this Article shall be reviewed by the Signatory Governments concerned at anytime on request by one of them, but not later than during the year following the fifth anniversary of the effective date of this Agreement in order to determine whether any modification of its provisions may be appropriate in light of circumstances then prevailing.

5. Except for laws officially transmitted in English to the Government of the United States by the Government of Palau, ignorance of the laws of Palau shall constitute a defense.

6. The Government of the United States and the Government of Palau shall assist each other in the arrest or detention of United States personnel in Palau.

(a) The Government of Palau shall promptly notify the Government of the United States of the arrest or detention of any United States personnel.

(b) Members of the force accused or suspected of the commission of any offense in Palau shall remain in or be transferred to the custody of the Government of the United States unless the Government of the United States declines such custody. The Government of the United States shall make available for purposes of investigation or trial members of the force in its custody over whom the Government of Palau has the right to exercise jurisdiction pursuant to this Agreement. Upon completion of all judicial proceedings, including appellate proceedings, such personnel shall be transferred to the Government of Palau if a sentence providing for deprivation of liberty has been finally adjudged.

(c) The provisions of Title Four of the Agreement on Mutual Assistance in Law Enforcement Matters shall be applicable to United States personnel who are citizens or nationals of the United States.

(d) The Government of the United States may request custody of a prisoner who is a member of the force, deprived of liberty by order of a Court of Palau. The Government of Palau shall transfer such prisoner to the custody of the Government of the United States which shall provide for the carrying out of the terms of such deprivation of liberty.

7. The Government of the United States and the Government of Palau shall assist each other in the carrying out of all necessary investigations into offenses within the scope of this Article, and in the collection and production of evidence, including the seizure and, in proper cases, the handing over of objects connected with an offense. The transfer of such objects may be made subject to their return within the time specified by the Government delivering them.

8. Where a person has been tried in accordance with the provisions of this Article, either by the Government of the United States or the Government of Palau, and has been acquitted or convicted, or has been pardoned, he may not be tried again within the same territory for the same offense by either Government. This paragraph is without prejudice to the authority of the Armed Forces of the United States to try a member of the force for any violation of rules of discipline.

9. United States personnel prosecuted under the jurisdiction of the Government of Palau shall be entitled to all guarantees and rights provided by the constitution and laws of the prosecuting Government for its own citizens and to the following guarantees and rights to the extent that they are not provided by that constitution and those laws:

(a) To a prompt and speedy trial;

(b) To be tried only in a court presided over by a qualified judge trained in the law;

(c) To be informed, in advance of trial, of the specific charge or charges made against such person;

(d) To be confronted with and permitted to cross-examine the witnesses against such person;

(e) To have compulsory process for obtaining witnesses in favor, of such person, if the witnesses are within the jurisdiction of the court;

(f) To have legal representation of such person's own choice for such person's defense throughout all investigative and judicial phases of the entire proceedings or, at such person's election, to have legal representation appointed by the court at no cost to such person under the same terms and conditions applicable to citizens of Palau;

(g) To have the services of a competent interpreter, if such person considers it necessary;

(h) To communicate with a representative of the Government of the United States and to have such a representative present at trial and at all stages of the proceedings, including pretrial hearings and examinations and appeals;

(i) Not to be charged with a criminal offense on account of any act or omission which did not constitute a criminal offense under the statutory law of the prosecuting Government at the time it was committed or be subjected to punishment more severe or a procedure less favorable than the one applicable at the time the offense was committed;

(j) To be present at trial which shall be public;

(k) To have the burden of proof placed upon the prosecution;

(l) To be protected from the use of a confession or other evidence obtained by unlawful or improper means;

(m) Not to be compelled to testify against or otherwise incriminate himself or herself;

(n) Not to be required to stand trial while physically or mentally unfit to stand trial and participate in his or her defense;

(o) Not to be tried or punished more than once for the same offense, nor to be subject to a greater punishment after appeal than was adjudged initially by the court of first instance;

(p) To have the right to appeal a conviction or sentence;

(q) Not to be subject to an appeal by the prosecution from an acquittal, or a finding of not guilty;

(r) To have credited to any sentence of confinement any related period of pretrial confinement in a confinement facility of the Government of the United States or the Government of Palau; and

(s) Not to be subject to the application of martial law or trial by military courts or special tribunals.

10. United States personnel who have been tried in courts of the Government of Palau, and who have been convicted and are serving sentences in confinement facilities of that Government or United States personnel in pretrial custody of that Government, shall be entitled to receive visits not less than monthly from members of their families and from representatives of the Government of the United States. Health and comfort items including clothing, medicine and food may be delivered to and used by such United States personnel in confinement or pretrial custody.

11. Facilities of the Government of Palau used for confinement or detention of United States personnel shall meet standards agreed upon by the Government of the United States and the Government of Palau.

12. United States personnel convicted by courts of the Government of Palau shall not be subject to the death penalty, nor to any form of cruel or unusual punishment.

13. This Article is without prejudice to the authority of the Government of the United States to exercise administrative authority over United States personnel.

Article XIII

Additional Criminal Jurisdiction

Article XIII

Additional Criminal Jurisdiction

In addition to the rights set forth in Article XII, the Government of the United States shall have the primary right to exercise jurisdiction over all United States citizens or nationals of the United States who are not United States personnel for offenses punishable under the laws of the United States committed within defense sites while in use by the Government of the United States in Palau. The Government of Palau shall assist the Government of the United States in the arrest of any such person. The custody of any such person shall remain in or be transferred to the Government of the United States unless such custody is declined. The waiver provisions of Article XII, paragraph 4, shall apply.

Article XIV

Respect for Local Law

Article XIV

Respect for Local Law

The Government of the United States shall adopt and enforce measures consistent with the Compact and this Agreement as may be necessary to ensure that United States personnel, United States contractors and third country contractor personnel respect the laws of Palau, refrain from any activity inconsistent with this Agreement, and refrain from any political activity concerning Palau.

Article XV

Claims

Article XV

Claims

1. The authorities of the Armed Forces of the United States shall pay just and reasonable compensation in settlement of meritorious non-contractual claims arising out of acts or omissions occurring prior or subsequent to the effective date of this Agreement in Palau of members of the force; of members of the civilian component; and, if the act or omission was done in the performance of official duty, of local-hire personnel who are employed by the Armed Forces of the United States. All such claims shall be processed and settled by the authorities of the Armed Forces of the United States in accordance with the laws and regulations of the United States. Any such claims which cannot be settled as provided for in this paragraph, and which are espoused by the Government of Palau, shall be referred to the Joint Committee established pursuant to Section 351 of the Compact.

2. Contractual claims against the Armed Forces of the United States shall be settled in accordance with the disputes clause of the contract if any, and the laws of the United States relating to the resolution of such disputes.

3. Subject to the provisions of Article XII of this Agreement, members of the force, members of the civilian component and, if the act or omission was done in the performance of official duty, local-hire personnel shall not be subject to any proceedings in Palau for an act or omission.

4. The Government of the United States shall facilitate appropriate arrangements between the government of any third country which has members or units of its armed forces in Palau pursuant to Section 312 of the Compact and the Government of Palau with respect to appropriate settlement of claims arising from the activities of such members or units.

5. Any judgment presented for certification to the United States Court of Appeals for the Federal Circuit, or its successor court, pursuant to Section 174 of the Compact of Free Association shall be deemed manifestly erroneous as to law if the claim upon which such judgment is based would have been barred by the statute of limitations if such claim had been brought in a court of the United States.

6. Pursuant to Section 174 of the Compact, all claims within the scope of this Article which otherwise would have been within the scope of Section 174 of the Compact shall be settled exclusively in accordance with the provisions of this Article.

Article XVI

Currency

Article XVI

Currency

The Armed Forces of the United States, United States contractors and United States personnel may import into, possess and use within, and export from Palau, United States currency. Such importation, possession, use and exportation of United States currency shall be exempt from any form of regulation, restriction, or control by the Government of Palau. Should the Government of Palau act pursuant to Section 251 of the Compact to institute a currency other than United States currency, the Government of the United States and the Government of Palau shall consult regarding the applicability of foreign exchange laws and regulations in the jurisdiction of the Government of Palau.

Article XVII

Medical Services

Article XVII

Medical Services

To the extent that appropriate services can be made available consistent with available resources and the laws and regulations of the United States, the Government of the United States shall provide, at the request of the Government of Palau, medical care to citizens and nationals of Palau in United States military medical facilities or by United States military medical personnel on a reimbursable basis under terms and conditions agreed upon between the Government of the United States and the Government of Palau.

Article XVIII

Telecommunications

Article XVIII

Telecommunications

The Government of the United States may use local telecommunication systems and shall do so to the extent feasible. The Government of the United States in determining its uses of such systems shall take into consideration the cost and security of such systems.

(a) To the extent that the Government of Palau establish complete and fully effective commercial international telecommunications systems compatible with existing United States Government installations, and the Government of the United States determines such use is feasible based on the criteria above, the Government of the United States and the Government of Palau shall enter into negotiations for a use arrangement which includes normal billing procedures. Following entering into such a use agreement, the Government of the United States shall withdraw or modify any authorizations for use of Defense communications systems for non-official calls by United States personnel.

(b) The Government of the United States shall encourage the use of local telecommunication systems by United States personnel for non-official purposes.

Article XIX

Effective Date, Amendment and Duration

Article XIX

Effective Date, Amendment and Duration

1. This Agreement shall come into effect simultaneously with the Compact.

2. This Agreement may be amended at any time as to the Government of Palau by mutual consent of that Government and the Government of the United States.

3. The duration of this Agreement as between the Government of the United States and the Government of Palau is for the period of effectiveness of either Title Three of the Compact or of the appropriate separate agreements entered into pursuant to Sections 321 and 323 of the Compact, whichever is the longer. Thereafter, this Agreement shall remain in force until terminated by a Signatory Government, in the following manner:

(a) Termination of this Agreement by any Signatory Government shall be effected by a written notification to either the Government of the United States or to the Government of Palau, as appropriate.

(b) Termination shall take effect one year after the recipient Government has been notified.

4. This Agreement may be accepted, by signature or otherwise, by the Government of the United States, or the Government of Palau. Each Government shall possess an original English language version.

IN WITNESS WHEREOF, the undersigned, duly authorized, have signed this Status of Forces Agreement which shall come into effect in accordance with its terms between the Government of the United States and the Government of Palau.

DONE AT Palau, THIS 10 DAY
OF, Jan, ONE THOUSAND, NINE HUNDRED EIGHTY-~~FIVE~~ four

FOR THE GOVERNMENT

OF

THE UNITED STATES OF AMERICA

DONE AT Palau, THIS 10 DAY
OF Jan, ONE THOUSAND, NINE HUNDRED EIGHTY-~~FIVE~~ four

FOR THE GOVERNMENT

OF

THE REPUBLIC OF PALAU

A-1

STATUS OF FORCES AGREEMENT

Agreed Minutes

Article VI, Service Facilities: The terms "service, educational and recreational facilities" include schools, commissary stores, retail exchanges and related concessions, credit unions, banking facilities, radio and television stations, recreational facilities, and social and athletic clubs.

Article VII, Military Post Offices: Such military post offices shall be established, operated and maintained exclusively pursuant to the laws and regulations governing the Armed Forces of the United States.

Article VIII, Bearing of Arms: It is the intention of the Signatory Governments that local military commanders and designated representatives of the Government of Palau shall enter into an exchange of letters governing the control of privately owned arms. Such an exchange of letters may address the following:

-- registration by military authorities of all privately owned arms, and the provision of registration lists, including certificates of transfer or removal of such arms, to the Government of Palau;

-- designation of target practice areas within defense sites;

-- limitations on the carrying of privately owned arms outside defense sites; and

-- other provisions for the control by military authorities of privately owned arms.

Article XV, Claims: The Signatory Governments do not intend that paragraph 6 of Article XV preclude the operation of Section 174 of the Compact, provided that paragraph 5 of Article XV governs the operation of Section 174 (c) of the Compact. The import of paragraph 6 of Article XV, read with paragraph 1 of Article XV, is as follows:

-- All claims within the scope of paragraph 1 of Article XV which arise after the effective date of this Agreement shall be processed and settled exclusively pursuant to the Foreign Claims Act, 10 U.S.C. 2734, and any regulations promulgated in implementation thereof.

-- A claim within the scope of paragraph 1 of Article XV which arises during the two year period immediately prior to the effective date of this Agreement shall also be processed and settled pursuant to the Foreign Claims Act, 10 U.S.C. 2734, unless a court action based on such claim has been initiated prior to the effective date of this Agreement and the party bringing such court action continues the court action and proceeds in accordance with Section 174(c) of the Compact. The party bringing such court action may, prior to entry of a final judgment by the court in the action, terminate the action before the court and bring the claim under paragraph 1 of Article XV, in which instance paragraph 6 of Article XV shall govern.

-- Claims arising more than two years prior to the effective date of this Agreement may be brought only in accordance with Section 174(c) of the Compact.

-- A claim processed, settled and paid under paragraph 1 of Article XV may not subsequently be brought under Section 174(c) of the Compact. Similarly, a claim which has proceeded to judgment in a court action and is subject to certification under Section 174(c) of the Compact may not be processed and settled under paragraph 1 of Article XV.

Article XV is without prejudice to any claim addressed in Section 353 of the Compact, whether such claim arises prior or subsequent to the effective date of this Agreement.

Article XVI, Currency: Subject to Article VI this Article is not intended to authorize the establishment or operation of a private financial institution in Palau, except in accordance with local law.

Article XVII, Medical Services: The term "military medical facilities" as used in this Article does not include the contractor-operated medical facility at Kwajalein Island defense site.

Agreement Regarding the Jurisdiction and Sovereignty of the Republic of Palau over its Territory and the Living and Non-living Resources of the Sea

PREAMBLE

As provided for in Article I of the Constitution of the Republic of Palau, this Agreement between the Government of the United States and the Government of the Republic of Palau contains international treaty obligations and sets forth the jurisdiction and sovereignty of the Republic of Palau over its territory and the living and non-living resources of the seabed, subsoil and water column; and

The Government of the United States and the Government of the Republic of Palau, affirming the capacity of the Government of the Republic of Palau to conduct its foreign affairs relating to the law of the sea and marine resources matters recognized in Title One of the Compact of Free Association (the Compact), and affirming their desire to maintain a mutually beneficial relationship of free association and to ensure harmony with international law,

NOW THEREFORE AGREE:

Article I

Pursuant to the last clause of the first sentence of Article I, Section 1 of the constitution of the Republic of Palau, the Government of the Republic of Palau defines, by this Agreement,the jurisdiction and sovereignty of the Republic of Palau over its territory and the living and non-living resources of the seabed, subsoil and water column as follows:

Section 1

The Republic of Palau has jurisdiction and sovereignty over its territory, which includes its land and its internal waters, territorial seas, and airspace super jacant thereto, only to the extent permitted by international law. The Government of the Republic of Palau shall not claim an archipelago or a regime of archipelagic waters.

Section 2

To the full extent such jurisdiction is permitted by international law, the Republic of Palau has jurisdiction over the non-living resources of the seabed and subsoil adjacent to its coasts and over the living resources of the seabed, subsoil and water column adjacent to its coasts.

Section 3

In recognition of Article I, Section 4 of the Constitution of the Republic of Palau, the Government of the Republic of Palau recognizes and affirms the high seas freedoms of navigation and overflight and of the laying of submarine cables and pipelines and other internationally lawful uses of the sea in accordance with international law.

Article II

The Government of the Republic of Palau shall make no claims or exercise sovereignty or jurisdiction inconsistent with this Agreement.

Article III

The undertakings of Article I of this Agreement extend to all other States.

Article IV

The Government of the United States recognizes that this Agreement, which shall have the full force and effect of an Executive Agreement of the United States, constitutes a treaty obligation under international law.

Article V

The Government of the Republic of Palau recognizes that this Agreement constitutes "international treaty obligations" as those words are used in Article I, Section 1 of the Constitution of the Republic of Palau and agrees to submit this Agreement for approval as a treaty pursuant to its constitutional processes.

Article VI

Nothing in this Agreement is intended to or shall prejudice any treaty obligation assumed, or any rights, jurisdiction or authority gained or confirmed by the Government of the United States or the Government of the Republic of Palau in becoming a Contracting Party to the United Nations Convention on the Law of the Sea.

Article VII

Nothing in this Agreement shall prejudice any undertaking by either the Government of the United States or the Government of the Republic of Palau toward the other in the Compact.

Article VIII

Nothing in this Agreement shall affect or prejudice the rights, freedoms and obligations of the Government of the United States or the Government of the Republic of Palau under international law with respect to high seas freedoms, the exercise of rights and jurisdiction over the waters or seabed and subsoil or any other matter related to the law of the sea.

Article IX

Section 1

This Agreement shall come into effect simultaneously with the Compact.

Section 2

This Agreement may be amended at any time by mutual agreement.

Section 3

This Agreement shall remain in effect so long as Title Three of the Compact remains in force between the Government of the United States and the Government of the Republic of Palau or until the United Nations Convention on the Law of the Sea enters into force and is entered into by both the Government of the United States and the Government of the Republic of Palau.

Agreement Regarding the Jurisdiction and Sovereignty of the Republic of Palau over its Territory and the Living and Non-living Resources of the Sea

IN WITNESS WHEREOF the undersigned, duly authorized for the purpose, have signed the present agreement.

DONE at Palau, in duplicate, this 10th day of Jan, one thousand, nine hundred eighty-~~five~~ [illegible]

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA

- - - - - - - - -

FOR THE GOVERNMENT OF THE REPUBLIC OF PALAU

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of Rule XXVI of the Standing Rules of the Senate, changes in existing law made by the measure, S.J. Res. 325, as ordered reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

PUBLIC LAW 99-239—JAN. 14, 1986

99 Stat. 1770

JOINT RESOLUTION To approve the "Compact of free Association", and for other purposes

* * * * * * *

[TITLE V—COMPACT OF FREE ASSOCIATION WITH PALAU

[SEC. 501. APPROVAL IN PRINCIPLE.

[(a) Subject to subsection (b) of this section, Congress expresses approval in principle of the Compact of Free Association Between the Government of the United States of America and the Government of the Republic of Palau, the text of which was printed in the Congressional Record of November 14, 1985 on pages S15622 through S15628, inclusive, and which is also printed as Committee Print No. 4 of the Committee on Interior and Insular Affairs of the House of Representatives of the 99th Congress.

[(b) A Compact with Palau after it is transmitted to Congress by the President shall take effect only upon

[(1) a certification by the President to the Congress that the Republic of Palau has approved a Compact in accordance with Section 411 of the Compact described in subsection (a) and that the President has determined that the United States will be able to carry out fully its rights and responsibilities under Title Three of the Compact described in subsection (a) and the subsidiary agreements thereto; and

[(2) enactment by the Congress of a joint resolution approving a compact and providing for its implementation.

SEC. 502. MODIFICATIONS OF COMPACT.

[Title IV and Sections 105(b), 105(c), 105(h)(1), 105(*l*), and 202 of this joint resolution shall apply to a compact with Palau, except that any reference in such sections to the Compact shall be treated as referring to the Compact described in Section 501 of this joint resolution, and any reference in such Title and sections to the Federated States of Micronesia or the Marshall Islands shall be treated as referring to the Republic of Palau. For purposes of applying Section 242(2) of the Compact, the annual 10 percent limitation on duty-free imports of canned tuna applies to imports from the Federated States of Micronesia, the Marshall Islands, and the Republic of Palau.]

UNITED
NATIONS

S

Security Council

Distr.
GENERAL

S/18124
3 June 1986

ORIGINAL: ENGLISH

NOTE BY THE SECRETARY-GENERAL

At the 1617th meeting at its fifty-third session, on 28 May 1986, the Trusteeship Council adopted resolution 2183 (LIII), entitled "Examination of the annual report of the Administering Authority for the year ended 30 September 1985: Trust Territory of the Pacific Islands"; "The future of the Trust Territory of the Pacific Islands".

Pursuant to the request contained in paragraph 4 of that resolution, the text is annexed hereto.

Annex

Resolution 2183 (LIII) adopted by the Trusteeship Council at its 1617th meeting on 28 May 1986

EXAMINATION OF THE ANNUAL REPORT OF THE ADMINISTERING AUTHORITY FOR THE YEAR ENDED 30 SEPTEMBER 1985: TRUST TERRITORY OF THE PACIFIC ISLANDS

THE FUTURE OF THE TRUST TERRITORY OF THE PACIFIC ISLANDS

The Trusteeship Council,

Recalling the Trusteeship Agreement 1/ in respect of the Trust Territory of the Pacific Islands approved by the Security Council on 2 April 1947,

Noting that Articles 73 and 76 of the Charter of the United Nations call upon Administering Authorities of Trust Territories to assist their peoples in the progressive development of their free political institutions and towards self-government or independence,

Mindful that the peoples of the Federated States of Micronesia, the Marshall Islands, the Northern Mariana Islands and Palau have established constitutions and democratic political institutions providing the instruments of self-government,

Aware that political status negotiations between the Administering Authority and representatives of the Trust Territory began in 1969 with the aim of facilitating the progressive development of the peoples in Micronesia towards self-government or independence as was deemed appropriate,

Aware also that this process has been successfully completed,

Noting further the recommendation of the Visiting Mission to the Trust Territory in 1985 2/ that termination of the trusteeship should be achieved as soon as possible,

Having heard the statements by the elected representatives of the Trust Territory Governments requesting early termination of the Trusteeship Agreement, and believing this to reflect the freely expressed wishes of the people of the Trust Territory,

---

1/ *Trusteeship Agreement for the Trust Territory of the Pacific Islands* (United Nations publication, Sales No. 1957.VI.A.1).

2/ For the report of the Mission, see *Official Records of the Trusteeship Council, Fifty-third Session, Supplement No. 1* (T/1878).

Conscious of the responsibility of the Security Council in respect of strategic areas as set out in Article 83, paragraph 1, of the Charter,

1. *Notes* that the peoples of the Northern Mariana Islands, the Marshall Islands, the Federated States of Micronesia and Palau have freely exercised their right to self-determination in plebiscites observed by the visiting missions of the Trusteeship Council and have chosen free association with the United States of America in the case of the Marshall Islands, the Federated States of Micronesia and Palau and Commonwealth status in the case of the Northern Mariana Islands;

2. *Requests* the Government of the United States, in consultation with the Governments of the Federated States of Micronesia, the Marshall Islands, Palau and the Northern Mariana Islands, to agree on a date not later than 30 September 1986 for the full entry into force of the Compact of Free Association and Commonwealth Covenant, and to inform the Secretary-General of the United Nations of that date;

3. *Considers* that the Government of the United States, as the Administering Authority, has satisfactorily discharged its obligations under the terms of the Trusteeship Agreement and that it is appropriate for that Agreement to be terminated with effect from the date referred to in paragraph 2 above;

4. *Requests* the Secretary-General to circulate as official documents of the Security Council this resolution and all material received from the Administering Authority pursuant to this resolution.*

---

* All material submitted by the Administering Authority pursuant to this resolution will be circulated as received.